

Strate Limited

Annual Report

for the year ended 31 December 2009

Strate Limited

Annual Report

for the year ended 31 December 2009

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Strate Limited

Our Vision, Purpose and Objectives

Vision

- We are the leading independent South African provider of innovative post trade products and services.
- We are globally recognised for the confidence we inspire in our financial markets infrastructure.

Purpose

Strate's purpose is to provide clearing, settlement and depository services for securities, enabling end-to-end pragmatic, reliable, innovative solutions that facilitate the management of risk and the realisation of value for all stakeholders.

Objectives

Strate's objectives are as follows:

1. To be profitable.
2. To have a customer-centric brand globally.
3. To ensure operational excellence and the effective management of enterprise risk while driving innovation and market best practice.
4. To be a learning organisation enabling corporate and personal growth.

Our Values

1. Integrity
2. Reliability
3. Passion
4. Dynamic and Innovative
5. Accountability
6. Teamwork

Strate Limited

Milestones - 2009

January	Strate announces that it will not be increasing its fees to the market, the fifth year in a row. The review of the fee structure was in progress.
February	Strate is awarded the bid to host the biennial CSD11 Conference in Cape Town, South Africa in 2011 on behalf of the Africa and Middle Eastern Depository Association (“AMEDA”).
March	Strate releases Annual Financial Statements and reports a profit of R79,5 million for 2008.
April	Strate embarks on an extensive internal project to review its fee structures with the aim of aligning its fees to international practices and operational activities.
May	Strate appoints Anthony van Eden as its new Chief Operating Officer. Strate approved candidates from the designated group (Indian, African and Coloured employees) to be part of the mentorship programme.
June	Strate launches the Money Market learning material and the knowledge disk.
July	Strate is appointed by the JSE to be its SWIFT Alliance Messenger (“SAM”) services provider. Strate implements phase 1 of its new Beneficial Download (“BND”) Application.
August	Strate announces a revised equities fee structure, effective from 1 October 2009.
September	Strate becomes a member of Link-up Capital Markets S.L, Spain.
October	Strate settles the first dematerialised Money Market security electronically. Strate implements SAFIRES release 3.9.0, an enhancement which improves efficiency and potentially extended the application’s useful life. Strate finishes 2nd in the Financial Services – General Industry category in the Deloitte Best Company to Work For competition (“DBCTWF”).
November	Strate implements phase 2 of its new BND Application.
December	Strate releases an updated “Chinese Walls” Manual dealing with the segregation of STRATE Supervision and Strate’s operations.

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Chief Executive Officer and Chairman's Report

Business review

Operating results

Five year summary

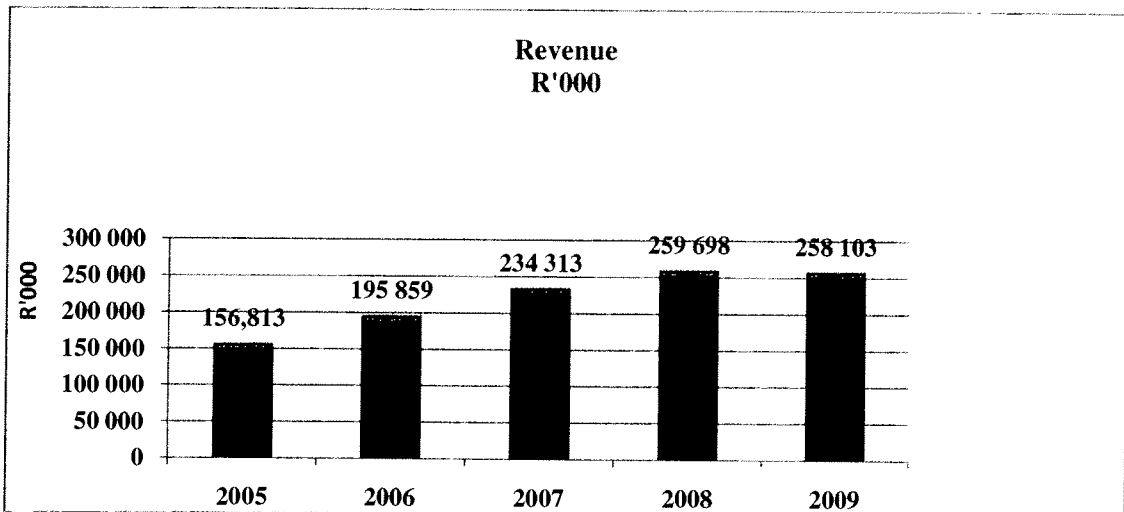
	2005 R'000	2006 R'000	2007 R'000	2008 R'000	2009 R'000
Revenue	156 813	195 859	234 313	259 698	258 103
Other income	1 050	1 231	2 291	1 604	1 732
Expenditure	(79 135)	(112 795)	(128 579)	(158 830)	(168 812)
Profit from operations	78 728	84 295	108 025	102 472	91 024
Net finance income/(cost)	4 872	9 830	10 197	10 586	10 632
Profit before tax	83 600	94 125	118 222	113 058	101 656
Taxation	(25 212)	(27 301)	(35 955)	(33 548)	(32 546)
Profit after tax	58 388	66 824	82 267	79 510	69 109

Strate Limited

Chief Executive Officer and Chairman's Report (continued)

Operating results for the year

Bearing in mind the market conditions during 2009, we are satisfied with the operating results for the year under review, posting an after taxation profit of R69,1 million (2008: R79,5 million) which represents a 13% reduction year-on-year.



Total revenue decreased by 1% to R258,1 million (2008: R259,7 million).

The revenue derived from equities accounts for 88% (R228,3 million) of our total revenue and is R0,6 million lower than the previous year. Bonds accounts for 12% (R29,8 million) and is R1,0 million lower than the previous year.

The number of equity trades on the JSE increased year-on-year whilst the total number of on and off-market settlement processed by Strate during the year and resultant settlement revenue did not increase in line with the increase in trades. This is mainly attributable to the net settlement model adopted.

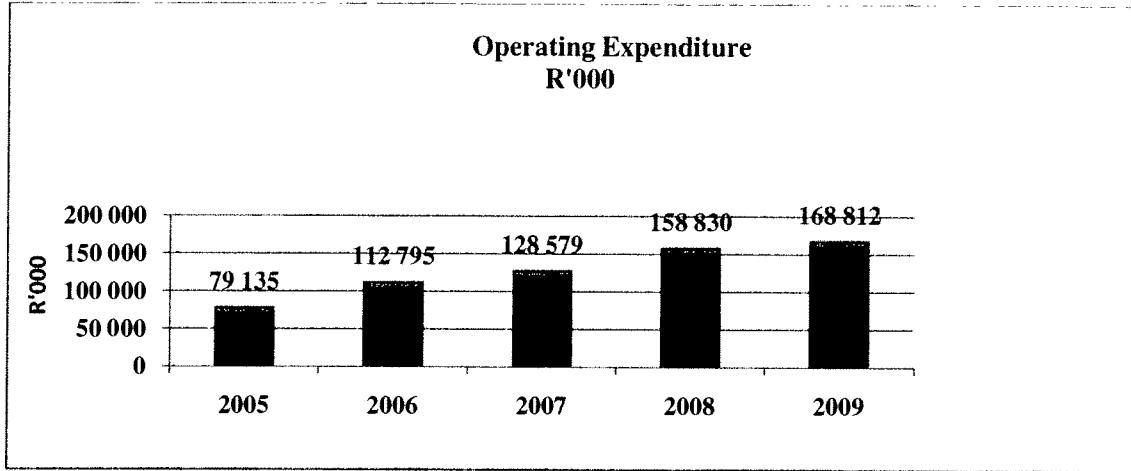
The number of trades in bonds decreased by 12% year-on-year and resulted in a 10% decrease in settlements which negatively impacted bonds revenue.

On an overall basis the total revenue and profitability are at acceptable levels and management efforts are focused on ensuring that the current profitability is maintained. In the past the increase in the number of settlements ensured that Strate did not have to increase our fees, a practice that will be reviewed going forward in order to maintain the current level of profitability.

It should be noted that no increases have been made since 2003. As there was no increase in volumes of settlements in 2009 the inflationary increase in operating expenditure had a negative impact on profitability.

Strate Limited

Chief Executive Officer and Chairman's Report *(continued)*



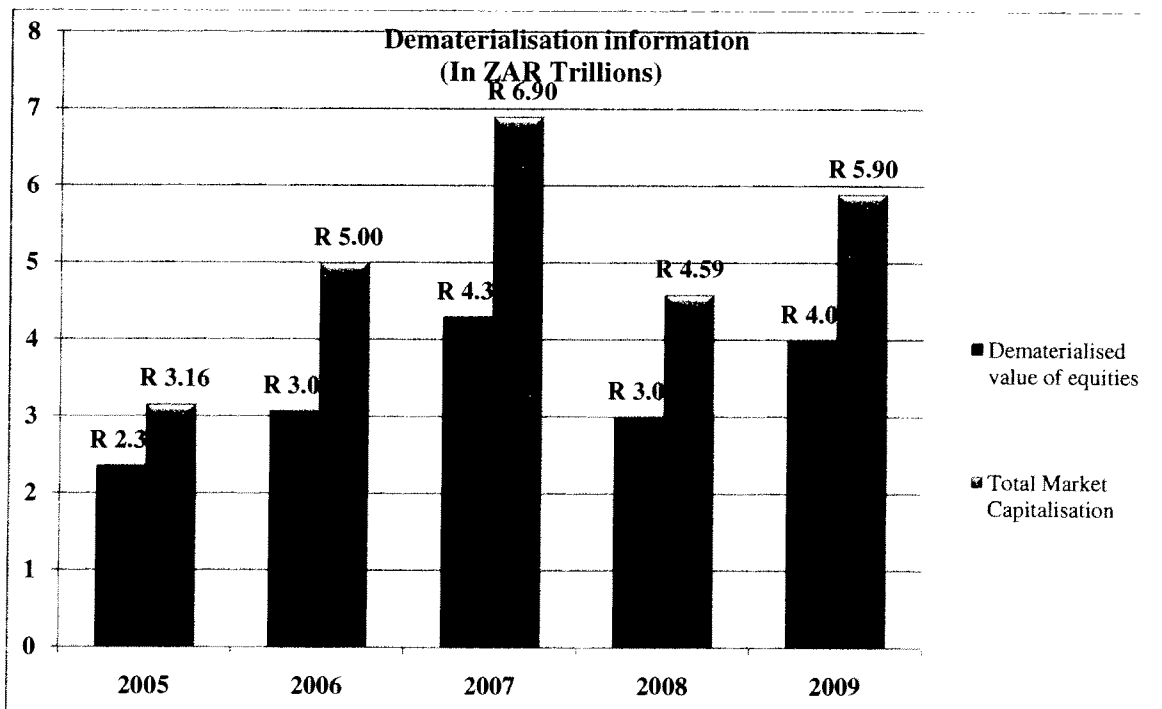
Total operating expenditure increased by 6%, in line with inflation, to R168,8 million (2008: R158,8 million). The increase is mainly attributable to:

- Staff costs, which rose in line with the annual salary increase;
- Depreciation and amortization as we acquired new computer equipment, revised the useful lives and residual values of the equipment, replaced the BND application and acquired additional software.

Market statistics

Equities

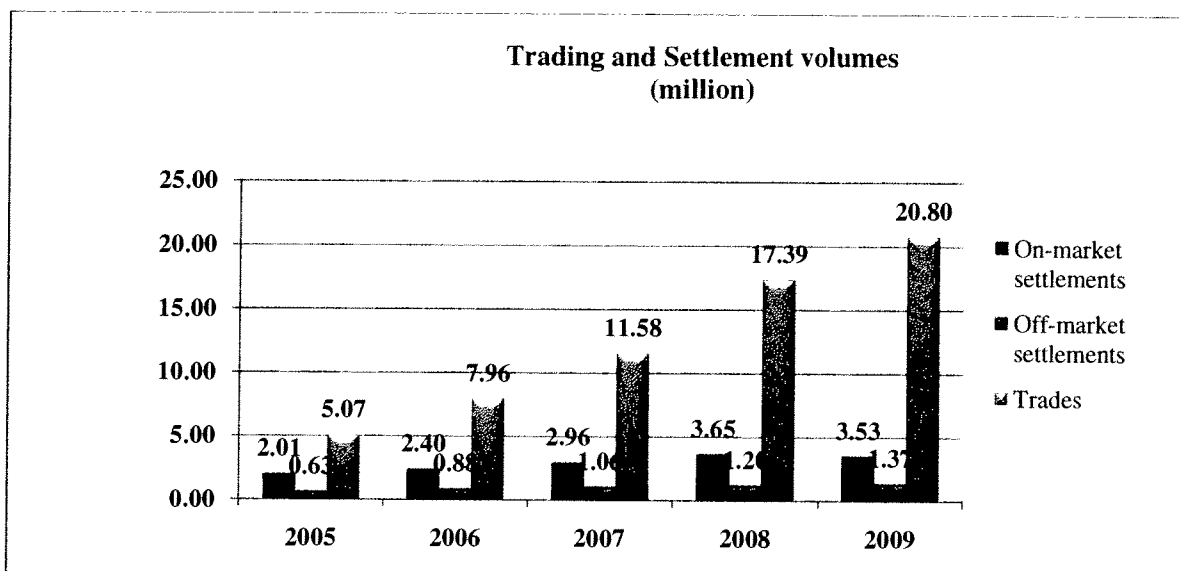
Strate earned R228,3 million (2008: R228,9 million) of its revenue from the equities market.



Strate Limited

Chief Executive Officer and Chairman's Report (continued)

On 31 December 2009 the dematerialised value of equities was R4, 0 trillion (representing 68% of the total market capitalisation of R5,9 trillion), which is 33% up on the previous year value of R3,0 trillion (representing 67 % of the total market capitalisation of R4,59 trillion). This has no impact on revenue.



The equities market trading volumes rose with the on-market trades for the year under review totaling 20,8 million (2008: 17,39 million). Strate processed 3,53 million on-market settlements (2008: 3,65 million), a decrease of 11% year-on-year, and 1,37 million off-market settlements (2008: 1,20 million), an increase of 14% over the previous year.

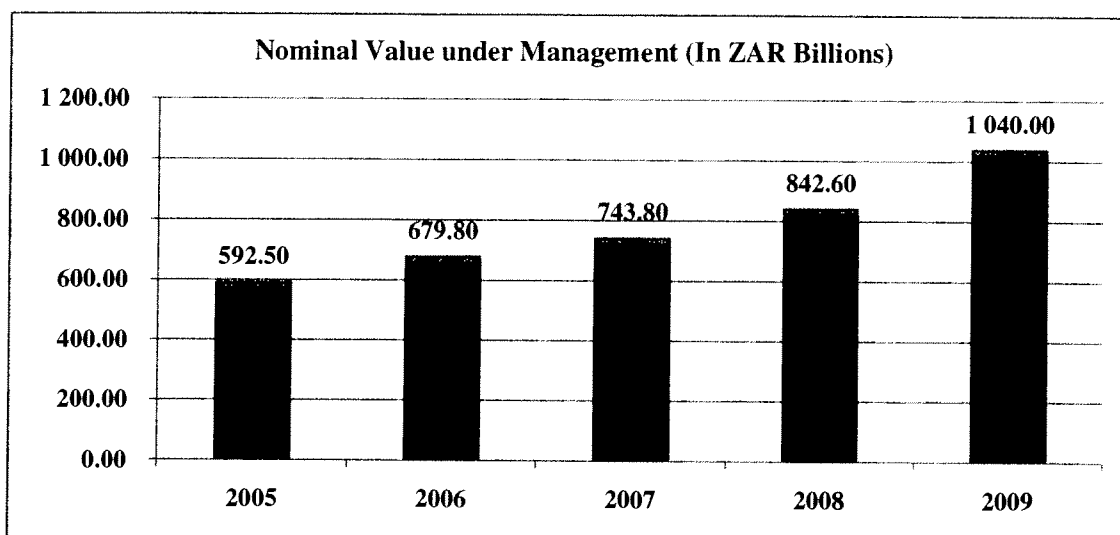
The main reason for the number of settlements processed by Strate during the year and resultant settlement revenue not increasing in line with the increase in trades, is the net settlement model adopted.

Strate Limited

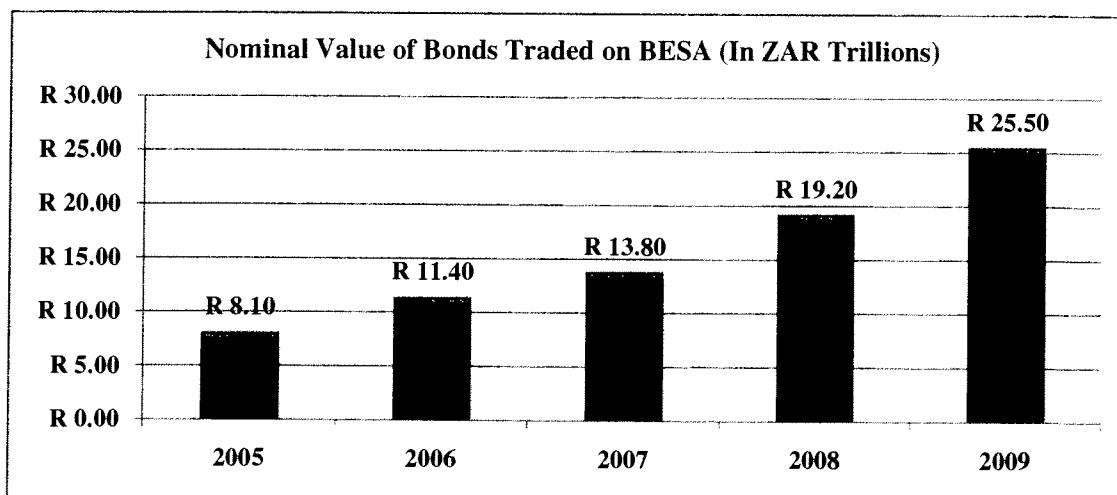
Chief Executive Officer and Chairman's Report *(continued)*

Bonds

Strate earned R29,8 million (2008: R30,8 million) of its revenue from the bonds market which represents a 3% decrease over the previous year.



On 31 December 2009 the nominal value of bonds in custody was R 1,04 trillion, which is 23% up on the previous year's value of R842,6 billion. This positively impacted revenue derived from Depository fees.



The nominal value of bonds trades increased for the year under review to R25,5 trillion, which is 33% up on the previous year's value of R19,2 trillion. This positively impacted revenue derived from Ad-valorem fees.

The number of bonds trades decreased by 12% to 654,180(2008: 741,424) resulting in bonds settlements decreasing by 10% to 280,267(2008:309,779). This negatively impacted revenue derived from settlements and is the main reason for the reduction in total bonds revenue.

Strate Limited

Chief Executive Officer and Chairman's Report *(continued)*

Sustainability

Management and the Board are committed to ensuring the sustainability of the business and view sustainability as the key building block of our strategy and our strategic objectives.

Stakeholder support is essential in achieving these objectives. We are continually evaluating our engagement with our stakeholders in order to identify and enhance our understanding of the issues they value. We see this engagement with our stakeholders as an opportunity to learn from each other and to build and strengthen trust.

We have assessed the key impacts, risks and opportunities in our business to ensure that all the relevant and material economic, environmental and social elements, using the GRI framework as a guide, are identified and integrated into our balanced scorecard as performance indicators.

Operational activities

Custody and settlement

During the period under review, Strate provided an uninterrupted service to its various stakeholders, thereby contributing to the stability of the South African financial markets.

The company successfully cleared and settled equity and bond transactions, facilitated corporate events in equities and bonds and provided various other ancillary services.

Business Continuity

Business continuity is an imperative in our business and we have strengthened our ability to cope with adverse events during the year.

We are aware that the success of business continuity largely depends on our people, and therefore we invest a great deal of time and money in initiatives and programmes aimed at enhancing the skills of our employees.

We have enhanced our succession planning and have successfully tested elements of our business continuity plan.

Information Technology

Maintenance of Applications

Maintaining our applications is critical in our quest to ensure the sustainability of the business.

During the year, several releases aimed at improving efficiency and maintaining or extending the useful lives of our applications took place.

SAFIRES 3.9.0, which was implemented in October 2009, was significant as we believe it has extended the useful life of the SAFIRES application.

Strate Limited

Chief Executive Officer and Chairman's Report *(continued)*

Money Markets

The Money Market System ("MMS"), Electronic Trade Matching Engine ("ETME") and Money Market Front End ("MMFE") applications were successfully implemented on 29 August 2009.

This solution includes leading practices, such as a T+0 settlement cycle, payment of cash in Central Bank funds, an ETME and a Securities Ownership Register ("SOR"), to name a few.

This implementation was a collective market effort which required detailed focus. We went live with the application on 23 February 2010.

Beneficial Download ("BND")

A project was initiated to address the shortcomings of the existing BND application.

The first phase of the project comprised a rewrite of the existing BND application used for the beneficial downloads for equities. The second phase introduced an automated solution for processing beneficial downloads for bonds, and functionality for a more regular (daily) beneficial download for both equities and bonds.

The first phase was implemented in July 2009 and the second phase in November 2009.

Corporate Actions

A new application is being developed to automate the processing of Corporate Actions. The existing application has shortcomings which result in manual facilitation and increased risk.

In addition to mitigating such risks, the new application will include functionality which may create additional revenue generating possibilities.

Fee structure

Two independent fee investigations were conducted on Strate's fee structure. These highlighted the following:

- Strate's fees are generally competitive;
- Strate's revenue is heavily weighted towards settlement fees from CSD Participants as opposed to Issuer fees; and
- Strate's off-market settlement fees are slightly higher than comparative organisations.

A project was initiated to assess the issues highlighted and to address any misalignments in Strate's fee structure. Our internal assessment supported the findings of the two independent investigations, and as a result Strate implemented a revised fee structure for equities on 1 October 2009.

We are in the process of finalising the assessment of our other fees, which includes bonds fees, and will communicate our findings once the process is complete.

Strate Limited

Chief Executive Officer and Chairman's Report *(continued)*

Diversification of Revenue streams

Strate is continuously searching for other business opportunities in order to diversify its revenue streams and reduce its dependency on clearing and settlement revenue. There are various initiatives that are being investigated.

Link-up Capital Markets S.L, Spain

Strate obtained approval from its Board to acquire a shareholding and become a member of Link-up Capital Markets S.L, Spain.

The approval means that Strate now becomes part of an international CSD community and is in a position to promote the international competitiveness of securities services in South Africa. The Link-Up membership will enable more efficient and cost effective settlement of foreign transactions and potentially enable South African CSD Participants to compete directly with Global Custodians for foreign settlement and custodial business.

Link-up will enable South African CSD Participants to become indirect CSD participants in those foreign markets associated with Link-up. South African CSD Participants could provide cross-border services to South African investors using the existing domestic infrastructure for clearing and settlement. It will allow South African CSD Participants to maintain foreign securities balances for their South African investors, enabling them to provide a single, consolidated report on holdings. Furthermore, enabling settlement of foreign transactions at domestic CSD rates would reduce the number of indirect costs associated with cross-border settlement.

CSD11 conference

The global biennial Central Securities Depository ("CSD") conference scheduled for 2011 will take place in Cape Town, South Africa from 13-15 April 2011.

The African and Middle Eastern Depository Association ("AMEDA"), of which Strate is a member, was awarded the right to host the conference. Strate and the Egyptian CSD are working together in organising the event.

Shareholders' return

The company declared and paid an ordinary dividend of R4 075 per share (2008: R1 686 per share) during the financial year which was based on a dividend policy of 2 times cover.

An ordinary dividend of R3 542 per share and a special dividend of R2 050 per share are proposed to be paid by 30 April 2010.

Staff matters

Mentorship programme

Following the success of the 1st mentorship programme, Strate decided to continue the programme and approved another 16 candidates from the designated group (Indian, African and Coloured employees) to take part in the 2nd mentorship programme.

Strate Limited

Chief Executive Officer and Chairman's Report *(continued)*

For the 2nd mentorship programme it was decided to use the Franklin Covey methodology and manage the process internally. The results of the programme are meeting our expectations and we feel justified in our investment in our employees.

Deloitte Best Company To Work For competition ("DBCTWF")

Strate was 2nd overall in the DBCTWF competition in the Financial Services – General Industry category and 13th in the Small Category. In addition to the above ratings we also received a 'Standard of Excellence Achiever Award' as our overall scores were above the standard of excellence threshold.

We are pleased with the results and intend improving on our performance going forward.

In 2008 Strate came first in the Banking sector. A comparison of the results is difficult as the categories were restructured in 2009 and Strate was moved from the Banking sector to the Financial Services – General Industry category.

Staff complement

The staff complement was stable during the period under review.

All critical positions are filled and succession plans are in place. In the succession plans, the progress made in respect of transformation is noticeable as most of the successors and stand-in staff identified are from the designated group (Indian, African and Coloured staff).

Training

As a company we invest in our employees by allocating significant time and money towards training.

The first AMEDA leadership conference was held in Egypt from 25- 29 April 2009. It afforded our staff the opportunity to interact with AMEDA members thereby increasing their knowledge and understanding of the industry at an international level.

Strate played a very active role in the conference as it structured the programme, made several presentations gave a number of junior staff members the opportunity to attend.

Executive Committee

The names of executive committee members at the date of this report are:

<i>Name</i>	<i>Function</i>
MJ Singer Saul	Chief Executive Officer
AF van Eden	Chief Operating Officer (appointed 1 May 2009)
H van Eeden	Head- Finance and Company Secretary
MR Vermaas	Head- Legal Services
DG Connock	Head- Risk
BL Furman	Head- Supervision
T Knowles	Head- Marketing
M Puri	Head- Information Technology
IG Seymour-Smith	Head- Custody and Settlement
FL Gumedede	Head- Human Resources and Transformation (appointed 1 April 2009)
L Daniel	Head- Relationship Management(appointed 1 July 2009)

Strate Limited

Chief Executive Officer and Chairman's Report *(continued)*

Regulatory responsibility

The annual licences to operate as the Central Securities Depository ("CSD") for the South African equity and bond markets, as well as to perform the clearing house functionality for bonds, were both renewed by the Financial Services Board ("FSB").

Strate continues to operate as a Self Regulatory Organisation ("SRO") in terms of the CSD licence granted by the FSB.

For more details of the regulatory progress made by Strate, a report by the Chairman of the Regulatory and Supervisory Committee is included in the Corporate Governance report.

An annual Regulatory and Supervisory report is available from the Company Secretary on request

The Future

State of South African economy

Business confidence and long term growth prospects are positive. The recovery in emerging market countries, such as Brazil, India and China, is good news for South Africa. As South Africa is a resource-based economy, an industrial recovery in global markets will see demand for our resources grow.

The South African banking system is in a healthy condition and this adds to the general confidence in the economy.

Impact on Strate

The economic confidence and long term growth prospects are good news for Strate as it makes South Africa a very attractive investment destination. We foresee that capital, local and international, will continue to flow through South Africa and the JSE. These transactions must be cleared and settled, which is our core business.

We do, however, remain wary of any potential negative impacts and are moving forward cautiously, monitoring our volumes closely.

Strate Limited

Chief Executive Officer and Chairman's Report *(continued)*

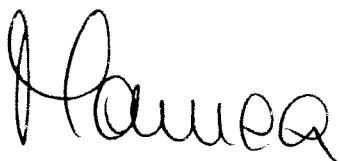
Plans for 2010

We will continue with our efforts to find additional and alternative revenue streams that are complementary to our current business model. Many of the initiatives we are investigating are medium to long term projects whose benefits will only be seen in future years.

We do, however, expect to see some benefits realised in 2010 for initiatives that we have been working on for some time.

The most significant initiative scheduled for implementation in 2010 is MMS, ETME and MMFE went live on 22 February 2010.

Other initiatives scheduled for implementation in 2010 include the Gateway infrastructure, Link-up Capital Markets and the Corporate Actions functionality enhancement



MJ Singer Saul
Chief Executive Officer



ME King
Chairman

Strate Limited

Corporate governance report

This report sets out the key governance principles adopted by the directors in governing Strate Limited.

The Board endorses the principles of accountability, integrity and transparency underlying the Code of Corporate Practices and Conduct as contained in the King Report on Corporate Governance for South Africa, 2002 (the “King Report 2002”).

The King Report on Corporate Governance for South Africa 2009 (the “King Report 2009”) was launched on 1 September 2009 for implementation on 1 March 2010. Strate is assessing the governance principles contained in the King Report 2009 and have prepared a gap analysis which will assist with the application of these guidelines and reporting against these guidelines.

The Board is responsible for the ongoing assessment of the company’s policies relating to:

- Strategic and business plans.
- Reviews of management’s performance against objectives.
- Ongoing assessment of policies which include:
 - delegation of powers to Board Committees;
 - responsibilities and Terms of Reference of Board Committees; and
 - levels of authority of Board Committees.

In preparing the annual financial statements, the company has used appropriate accounting policies supported by reasonable and prudent judgements and estimates, and has complied with all applicable standards. The directors are of the opinion that the annual financial statements fairly represent the financial position of the company at 31 December 2009, and the results of its operations and cash flows for the year then ended.

Board of Directors – composition

The names of the directors in office at the date of this report are:

Director	Age	Independent Non-executive	Non-executive	Executive
ME King (Chairman)	72	Yes	-	-
MJ Singer Saul (CEO)	49	-	-	Yes
AF van Eden (COO)	53	-	-	Yes
A van der Merwe	46	Yes	-	-
MJ Stocks	44	-	Yes	-
MR Johnston	61	-	Yes	-
N Andrykowsky	32	-	Yes	-
NG Payne	50	-	Yes	-
NE Makiwane	51	Yes	-	-
PL Campher	62	Yes	-	-
RJG Barrow	63	Yes	-	-
RSM Ndlovu	43	Yes	-	-
RM Loubser	59	-	Yes	-
SV Zilwa	42	Yes	-	-

Strate Limited

Corporate governance report *(continued)*

Attendance at Board meetings

Director	Alternate	1 31 March 2009	2 23 June 2009	3 29 September 2009	4 27 November 2009	Total
ME King (Chairman)		Y	Y	Y	Y	4
MJ Singer Saul (CEO)		Y	Y	Y	Y	4
AF van Eden (COO)		n/a	Y	Y	Y	3
A van der Merwe		Y	Y	Y	Y	4
MJ Stocks		Y	Y	Y	N	3
MR Johnston	DJ Davidson	Y	Y	A	Y	4
NE Makiwane		n/a	n/a	Y	Y	2
NG Payne		A	A	Y	Y	4
PL Campher		Y	Y	Y	Y	4
RG Cottrell	NG Payne	Y	Y	n/a	n/a	2
RJG Barrow		Y	Y	Y	Y	4
RM Loubser	N Newton-King	Y	Y	N	N	2
RSM Ndlovu		Y	Y	Y	Y	4
SPM Yates	AB le Grange	Y	N	N	Y	2
SV Zilwa		Y	N	Y	Y	3
Observers						
FSB Representatives*		Y	Y	N	Y	3

* Financial Services Board (“FSB”) representatives attend Board meetings as observers.

A Alternate Board Member attended meeting.

n/a Not Applicable

Special Purpose Board meetings were held on the 5 May 2009 and on 30 July 2009.

The directors were also invited to attend the Annual General Meeting that was held on 31 March 2009.

Strate Limited

Corporate governance report *(continued)*

Board committees

The Board has established five permanent committees to assist in the execution of its responsibilities. These committees are the Audit and Risk Committee, Regulatory and Supervisory Committee, Remunerations Committee, Nominations Committee and the Transformation Committee.

Authority is delegated to each of these permanent committees by the Board. Committee meeting agendas, papers and minutes are made available to all members of the Board on request.

Sub-committees, for example the Urgent Issues Committee and New Business Committee are also formed on an ad hoc basis to deal with specific matters.

Audit and Risk Committee

The Audit and Risk Committee was established to assist the Board in relation to the reporting of financial information, the appropriate application and amendment of accounting policies, the identification and management of risk, the internal control systems and governing external and internal audit.

A report by the Chairman of the Committee is included on pages 36-37.

Strate Limited

Corporate governance report *(continued)*

Remunerations Committee and Nominations Committee

The functions of the Remunerations and the Nominations Committees are structured to operate as two separate committees.

A report by the Chairman of the Remunerations Committee is included on page 38-41.

A report by the Chairman of the Nominations Committee is included on page 42.

Regulatory and Supervisory Committee

The Regulatory and Supervisory Committee was established to assist the Board in supervising the activities of the Central Securities Depository Participants (“CSDPs”) in terms of its CSD licence which is based on Self Regulatory Organisation (“SRO”) principles.

The operations of STRATE Supervision and Strate operations are segregated.

A report by the Chairman of the Regulatory and Supervisory Committee is included on pages 43-45.

Transformation Committee

The Transformation Committee was established to assist the Board in defining a transformation agenda in line with the principles of the code of Black Economic Empowerment and proposed Financial Sector Charter.

A report by the Chairperson of the Transformation Committee is included on pages 46-47.

Internal control, Internal audit and risk management

Alternate Dispute Resolution

In all its agreements, Strate ensures that a procedure exists for disputes to be dealt with in terms of an alternative dispute resolution procedure. This usually involves mediation between the parties in an effort to address the issues and also to preserve business relationships. In the event that mediation is not successful, a formal dispute resolution procedure is catered for through arbitration by a recognised independent arbitration organisation.

Strate believes that this combination of informal and formal dispute resolution provides the most effective and efficient method of dealing with the conflict that inevitably arises during the course of doing business.

Internal control

The directors are responsible for the system of internal control and for regularly reviewing its effectiveness.

To enable the directors to meet these responsibilities, management sets standards and implements systems of internal control aimed at reducing the risk of error or loss in a cost effective manner. The systems of internal control are also designed with fraud in mind as management aims to detect and prevent such incidents. These controls include:

- the proper delegation of responsibility within a clearly defined framework;
- effective accounting procedures; and
- adequate segregation of duties

Strate Limited

Corporate governance report *(continued)*

Internal audit

The role of the internal audit function is to:

- assess the design and operating effectiveness of controls governing key operational processes and business risks;
- provide the Board with an assessment, independent of management, as to the adequacy of the internal operating and financial controls, systems and practices;
- assist the Board in meeting its corporate governance and regulatory responsibilities; and
- provide consulting services to management in order to enhance the control environment and improve business performance.

Based on information provided by the internal and external auditors, and explanations provided by management, the directors are of the opinion that:

- the company's internal controls are adequate and effective; and
- the company's assets are protected and used as intended in all material respects with appropriate authorisation.

Internal Audit at Strate has been outsourced to PricewaterhouseCoopers and is independent of the Risk Management and the Supervision functions.

Risk management

The focus of risk management is to identify, assess and implement controls for all the major risks to which there is an exposure. Although risk cannot be eliminated, actions to mitigate risk exposures are initiated by identifying risks and ensuring that the appropriate controls, systems, practices and ethics are implemented.

Strate's core business, as defined in its purpose, is to provide clearing, settlement and depository services for securities, through the provision of pragmatic, reliable, innovative solutions that facilitate the management of risk and realisation of value.

The risks that are faced by Strate and the market due to the implementation of the electronic settlement process have been identified. The parties responsible for managing these risks in respect of equity and bond settlements have also been identified and are reflected in the risk matrix below. With effect from the first quarter of 2010 financial year, the company is also scheduled to facilitate the electronic settlement Money Markets Securities on a T + 0 settlement timeline. A comprehensive risk assessment in respect of these securities was completed as part of business case presented to, and approved, by the Board at the commencement of the project.

References to Strate in this matrix are in its capacity as the CSD. This section on risk management also refers to the limited proprietary risks Strate bears in managing its own affairs.

Strate Limited

Corporate governance report *(continued)*

Risk matrix - Electronic settlement in the Strate environment

Type of risk	EQUITIES				BONDS			
	Strate	JSE (Settlement Authority)	CSDPs	Brokers	Strate	JSE/BESA	CDPs	Brokers
Principal	No	No	No	No	No	No	Yes	Yes
Tainted scrip	No	No	Yes	Yes	No	No	Yes	Yes
Settlement	No	Yes *	Yes**	Yes*	No	No	Yes	Yes
Credit	No	Yes	Yes	Yes	No	No	Yes	Yes
Liquidity	No	Yes	Yes	Yes	No	No	Yes	Yes
Systemic	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Operational or technology	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

* *T + 0 to final confirmation*

** *From final confirmation*

Strate Limited

Corporate governance report *(continued)*

Risk Management *(continued)*

Principal risk

Definition

Principal risk is the risk that a party to a trade will lose the full value involved in the transaction. This could occur when there is a disconnection between the payment and the transfer of ownership of the securities.

Equities

There is no principal risk in Strate as the settlement model is to reserve the securities, effect payment of funds in Central Bank funds using the Continuous Batch Processing Line (“CBPL”) functionality and, without any delay, transfer ownership of the securities at the CSDP level. Transfer is final and irrevocable in law. Strate complies with the Simultaneous Final Irrevocable Delivery versus Payment (“SFIDvP”) principle. This ensures that the final and irrevocable transfer of the securities occurs simultaneously with the final and irrevocable transfer of cash in Central Bank funds.

Bonds

The situation is the same as described above, except that Continuous Processing Line (“CPL”) payment functionality is used.

Tainted scrip risk

Definition

Tainted scrip risk arises when security certificates which are tainted are dematerialised into the Strate environment.

Equities

Strate bears no tainted scrip risk as, once in Strate, the record is sacrosanct and no rectification is possible. Strate does not take responsibility for the dematerialisation process. The sub-registers, where the record of ownership of investors is kept, are maintained by CSDPs.

Bonds

The situation is the same as described above except for the fact that in the Bond environment dematerialisation and immobilisation is allowed. The Participants in the Bond environment are known as Central Depository Participants (“CDP’s”).

Settlement risk (also known as replacement cost risk, which includes price risk)

Definition

Settlement risk is the risk that a party to an open transaction, for completion at a future date, will fail to perform on the settlement date. This failure may leave the counterparty with an unhedged or open market position, or deny the counterparty unsettled gains on the position. The resulting exposure is the cost of replacing, at current market prices, the original transaction.

Equities

Strate bears no settlement/replacement cost or price risk. For on-market trades between two brokers, the JSE Limited (“the JSE”) accepts settlement and price risk for both cash and securities if the broker that introduced the trade is unable to settle. The JSE, in turn, has recourse against the broker that introduced the

Strate Limited

Corporate governance report *(continued)*

Risk Management *(continued)*

Equities(continued)

trade for the price risk and an administration charge will be levied as part of the penalty stipulated in terms of the JSE rules. For off-market trades, if settlement does not take place, the trade is taken out of the system at end of day on T + 5 (five business days after transaction date) and it is left to the contracting parties to remedy the “failed trade”. In addition, the CSDPs may facilitate the settlement process for off-market trades by reporting the off-market instruction to the CSD for the next available settlement date. This facilitation process may continue for a maximum of five business days after the settlement date of the original instruction, after which the original instruction will be cancelled.

Bonds

Strate bears no settlement/replacement cost or price risk. In general the JSE does not bear the risk either. The JSE only bears the risk for both cash and securities in the event of broker default. The JSE has a guarantee fund in place for these events.

Credit risk

Definition

Credit risk refers to the risk borne in the event of a counterparty not settling an obligation for full value, either when due or at any time thereafter. Credit risk comprises the risk of loss from a counterparty defaulting during settlement.

Equities

Strate bears no credit risk in respect of the settlement process. Credit risk is borne by the CSDPs in respect of settlements for which they have irrevocably committed to settle. The JSE, on behalf of its members, also assumes credit risk exposure in respect of those transactions introduced by them and to which the CSD participants are not prepared / unable to add their commitment.

Strate is exposed to credit risk in the normal course of business.

Bonds

Strate bears no credit risk in respect of the settlement process. Credit risk is borne by the CDP's in respect of settlements for which they have irrevocably committed to settle. The only instance where the JSE may bear the risk will be in the event of Broker default, as explained under settlement risk above.

Strate is exposed to credit risk in the normal course of business.

Liquidity risk

Definition

Liquidity risk is the risk that a party will not have sufficient liquidity, i.e. cash or securities, to meet its settlement obligations.

Equities

Strate bears no liquidity risk as it neither acts as a bank or deals with investors directly. It only deals with CSDPs. The CSDPs, the JSE and its members bear liquidity risk.

Bonds

Strate bears no liquidity risk as it neither acts as a bank or deals with investors directly. It only deals with CDP's, who bears liquidity risk. The only instance where the JSE may bear the risk will be in the event of Broker default, as explained under settlement risk above.

Strate Limited

Corporate governance report *(continued)*

Risk Management *(continued)*

Systemic risk

Definition

Systemic risk refers to the scenario when a disruption at a CSDP, the JSE, Strate or the Central Bank could cause a “domino effect” throughout the financial markets.

Equities

One aspect of the regulation of the CSDP’s by STRATE Supervision is to mitigate systemic risk in the clearing and settlement of securities transactions.

Bonds

The situation is the same as explained above for equities.

Operational risk and technology risk

Definition

Operational and technology risk is the risk that improper operations, trade processing or management systems will result in financial loss. It includes the risk of loss due to a breakdown in internal controls.

Equities and Bonds

On the financial side, proper management procedures including adequate books and records are maintained. Strong internal controls have been implemented and are reviewed regularly to ensure that the risk exposures are mitigated.

The controls that Strate has implemented to manage its risk exposure are categorised as follows:

- Management controls;
- Financial controls;
- Operational controls;
- System and data processing controls; and
- Business continuity.

Management controls

Controls throughout Strate are a key accountability of line management and are monitored on an ongoing basis by management to ensure compliance with documented policies and operational procedures.

Management controls are an integral part of the control environment of the company. Management has to ensure that the risks in their respective areas of responsibility are managed within the tolerance levels of the company.

Compliance with documented policies and operational procedures, which are accessible to all employees, is part of Strate’s terms of employment.

To ensure that the staffs is adequately informed, human resource policies and procedures are communicated on an ongoing basis.

Strate Limited

Corporate governance report *(continued)*

Financial controls

Comprehensive financial controls are implemented to ensure that:

- Financial information is reliable; and
- Assets are safeguarded against unauthorised use or disposal.

Financial information is used in decision-making and preparation of management reports and financial statements. Regular communication of accounting conventions, taxation and other relevant information takes place to ensure that the finance staff is equipped to produce reliable financial information. Strate actively encourages all staff to use the generous training allowances.

Financial planning is also key as Strate's solvency and ability to operate as a going concern needs to be ensured and managed. Strate's revenues are dependent on the trading volumes of securities. Strate has to have the resources, means and ability to see through prolonged periods of adverse trading conditions, as well as potential contingencies. Information on matters such as operating and capital expenditure, identification of contingent liabilities, insurance cover, legislation and fluctuation in trading volumes is used in performing sensitivity analyses. The sensitivity analyses provide information on the impact on various key items, such as cash and profitability.

Internal controls are documented. Regular review of these controls takes place and, where necessary, these are updated to ensure appropriateness.

A high degree of segregation of duties and delegation of authority is achieved despite a relatively small staff compliment. Care is taken to ensure that staff members are not able to perform tasks or execute transactions from beginning to end. Management review and oversight plays an important role in mitigating the risk to acceptable levels in areas where it is not possible to segregate duties and delegate authority. The controls are considered to be adequate.

Operational controls

Operational procedures with respect to clearing, settlement and corporate action processing are largely automated and an integral part of the CSD system. There were no significant weaknesses or areas of concern, but recommendations have been provided to automate some of these manual processes to eliminate manual intervention as far as possible and to further improve Straight Through Processing ("STP").

The operational controls are based on the following key principles that are consistent with internationally recognised standards for securities settlement systems:

- Simultaneous Final Irrevocable Delivery versus Payment ("SFIDvP") in Central Bank funds.

The settlement model involves the reservation of securities balances, the transfer of value in Central Bank funds and the simultaneous release and transfer of securities. This provides the basis for SFIDvP which is enabled by Strate and the South African Multiple Options System ("SAMOS") which provide for the electronic transfer of securities and funds respectively.

Strate Limited

Corporate governance report *(continued)*

Operational control *(continued)*

- Rolling settlement cycle on a trade day plus basis.

The time as to when a trade will settle is easily determinable. Settlement of a trade is scheduled based on the settlement cycle applicable to the type of security. On market equity trades currently settle on a T+5 basis and on market bond trades on a T+3 basis.

- Risk based

Controls are implemented to manage the risk inherent in the specific transaction or process.

- Group settlement

Equity settlement obligations are grouped per security and per dependency. The groups formed are structured in a manner to minimize and isolate the impact of a settlement failure to a specific group.

Bond settlement is not ring fenced as settlement is a process and a single fail could result in total settlement failure. The settlement process limitation is proactively managed and monitored.

- Efficient netting

The settlement system has functionality that nets cash and security positions. This functionality limits the number of transfers between safe custody accounts and reduces the cash funding requirements of the Central Bank by the settling banks.

- Securities lending and borrowing

The securities lending and borrowing functionality improves liquidity and reduces the risk of failed settlement. Securities can be sourced by willing borrowers from willing lenders to expedite settlement in an extremely automated and secure environment where collateral and securities pass simultaneously in one group settlement.

- Corporate actions- automation of process

The corporate action process enables electronic payment of entitlements in Central Bank funds on due date. There are certain manual activities that present risk, but those are closely controlled.

Payments to Participants are only made once Strate has been funded, thereby eliminating credit risk. The rolling contractual basis of settlement ensures that market claims are eliminated.

- Minimum participant eligibility standards

Applicants are required to meet minimum standards in order to be accepted as a Participant, and once approved and accepted, to continue to operate as a Participant.

Eligibility standards are risk-based to ensure that the clearing and settlement processes are, and remain to be, of a high standard given the potential systemic risk implications.

Strate Limited

Corporate governance report *(continued)*

Operational control *(continued)*

- Security messages developed in terms of the International Standardisation Organisation standards (“ISO standards”)

As an international CSD, securities messages conform to the latest ISO standards.

Information technology

Strate provides high-quality, reliable and responsive processing and network services in an operationally and physically secure environment.

Strate operates a mainframe-based processing environment. The mainframe is located at its data centre, a separate site from its operations, and provides Strate with the infrastructure to securely host its core applications for its electronic holdings, clearing and settlement business.

Business continuity

A fully documented Business Continuity Plan exists to deal with a potential business interruption in operations or systems, effectively and efficiently. The plan ensures that the business of the company will continue in the event of an emergency. Strate has a fully mirrored disaster recovery site at a separate site. The Disaster recovery site and related processes implemented, which is mentioned in the systems and data processing controls above, is an integral part of the total business continuity plan.

Procedures for the back-up and retention of data exist. Information is regularly backed up and stored in a secure off-site location.

Elements of the Business Continuity Plan are tested on a regular basis to ensure that the stated objectives are satisfactorily achieved.

Stakeholder relations

Strate has established channels of communication with its stakeholders through various standing advisory groups and industry forums.

Advisory groups are also formed on an ad hoc basis to deal with specific matters.

Ethical practices

Strate’s code of conduct is designed to set standards of behaviour. All employees and suppliers are required to maintain the highest ethical standards aimed at ensuring that the company’s business practices are conducted in a manner which is above reproach. Emphasis is placed on respecting client confidentiality, avoiding conflicts of interest, and conducting business with integrity and honesty. Failure to comply with the code of ethics is viewed as a serious disciplinary breach which is subjected to disciplinary action. We will cease doing business with any supplier not complying with our code.

No violations of this code have come to light during the year under review.

Strate Limited

Corporate governance report *(continued)*

Labour Practices, Environment and Social

Labour Practices

Strate is committed to the Occupational Health and Safety Act (No.85 of 1993) by providing a workplace that prevents accidents and fatalities.

Management and selected senior staff members are compelled to go for annual health check-ups in terms of the company's policies and conditions of employment. Other initiatives include:

Wellness

The objective of the wellness programme is to create awareness about the Employee Assistance Programme which will motivate staff to prioritize and actively participate in their wellbeing. The initiative empowers staff to make informed decisions about their work and life through a fun, creative and interactive process.

Strate aims to continually develop the Wellness Programme and encourages a work/life balance with less stress, burnout and absenteeism. A safe environment, healthy and happy staff leads to greater productivity. Strate would also like to use this drive to focus on areas identified by staff as 'weak' in the DBCTWF survey, as well as in the Blueprints DNA survey.

HIV/AIDS

Strate has arranged for speakers on the topic and participates actively in World Aids Day 1 December. Our policies are also protective of the rights of those staff who may be living with HIV/AIDS.

ICAS

ICAS Southern Africa is part of ICAS International, the world's leading provider of behavioural risk management services to the business community. ICAS offers free telephone counselling for Strate employees and their immediate families. They also offer three free face-to-face sessions with a qualified counsellor at no charge. ICAS has a great online facility that allows individuals to profile themselves and seek advice from experts on matters such as – nutrition, fitness, finances, legal problems and much more.

ICAS also offer a service specifically targeted at managers offering advice on how to deal with difficult employees and poor performance.

Graduate Programme

This programme takes young graduates with limited work experience and provides them with a year's exposure to corporate life.

The graduates are selected through a stringent interview process and placed in an area related to their qualification. They are also given the opportunity to move into different areas within Strate to gain maximum exposure. On completion of the programme, most of the graduates are employed by Strate.

During November 2009, Strate replaced the programme with an IT Learnership for unemployed disabled students. Three learners have been appointed and will start their learnerships in April 2010.

Strate Limited

Corporate governance report *(continued)*

Labour Practices, Environment and Social

Mentorship Programme 2009

Strate's Mentorship programme aims to grow and develop staff that show promise, passion and potential within the organisation.

Strate believes that utilising a process of on-the-job training is indispensable in coordinating business growth and team dynamics. During 2009 mentees have developed a better understanding of Strate's organisational strengths and weaknesses and also learnt methods of reframing their problems in a way that makes them easier to address. This programme helped mentees to accomplish leadership development, personal growth and business success.

Environmental

Given the nature of our business, our environmental impact is limited to specific areas. The material areas are energy, materials and transport.

Over the years Strate has implemented several actions aimed at mitigating the environmental impact of our behaviour and our services. The actions include the following listed below.

Energy

- An intelligent light system was installed;
- The air conditioning system is set to switch off automatically after business hours;
- Electricity meters were installed to accurately record and monitor usage; and
- Electricity efficiency is considered and evaluated in the acquisition of new technology equipment.

Materials

- We are constantly monitoring paper and printer usage;
- We have limited the provision of bottled water by installing water coolers;
- We are using the technology at our disposal more effectively for example e-mail and on-line review functionality; and
- We promote the recycling of paper and tin cans.

Transport

- We have implemented a remote access facility and flexible working arrangements for employees.

Strate Limited

Corporate governance report *(continued)*

Labour Practices, Environment and Social

Social

Investing in our local communities is an essential part of Strate's business philosophy. We support a number of worthy causes which have had a positive impact on people's lives and their future.

Strate encourages its staff to become involved in Socio-Economic Development ("SED") initiatives and they regularly participate in community out-reach programmes. Strate also has a programme in place where staff members can nominate a worthy course within their communities to receive support from the company.

The following contributions were made by Strate during 2009:

Sekolo sa Borokgo

Each year Strate selects a flagship charity for the year. This has included such organisations as Sekolo sa Borokgo. Formed in 1993, Sekolo sa Borokgo is a non-profit, co-educational, independent school, registered with the Gauteng Department of Education, from whom it received a small subsidy.

The school mainly caters for previously disadvantaged learners who come from areas such as Soweto, Alexandra, Vosloorus, Diepsloot, Cosmo City and the East Rand. The aim of the school is to develop learners in a structured environment with particular emphasis on Mathematics, Science and English.

The school currently operates on two campuses: the Middle School in Blairgowrie (Grades 7 to 9), and the Matric Centre in Randburg (Grades 10 to 12 and A Level College). Both sites were acquired via external corporate funding.

During 2009 Strate donated an amount of R429 315 towards Sekolo sa Borokgo for the refurbishment of their middle school.

Thuthuka Bursary Fund

The South African Institute of Chartered Accountants ("SAICA") has over the last 18 years, been running numerous programmes to assist students from disadvantaged backgrounds with entry into the accounting profession.

The Thuthuka Education Upliftment Fund and Thuthuka Bursary Fund have been created as vehicles through which this consolidated strategy is driven. The core objective is to establish and maintain structures for carrying out and promoting skills development. This will contribute to changing the membership demographics of the Chartered Accountancy profession with the ultimate aim that the membership of the profession will reflect the country's population demographics.

During 2009, Strate contributed R60 000 towards the Thuthuka Bursary Fund which used the money to sponsor two students.

Strate Limited

Corporate governance report *(continued)*

Labour Practices, Environment and Social

Ebenezer Care Centre

Ebenezer Care Centre provides a loving home environment for about 80 destitute adults and 60 children. It ensures that the children get the necessary education to enable them to lead fulfilling lives.

Strate not only provides ongoing financial support to the centre, but also recognises the value of staff involvement in the project. We encourage a philosophy of staff volunteering, thus enabling staff to adopt a hands-on approach in the lives of those at the Ebenezer Care Centre.

During 2009, Strate made a contribution of R182 790 towards building a Recreation Hall for the children and also paying for their school fees.

Valued Citizen – Strate Siyakhula Project

The Valued Citizen Initiative develops young girls to be the future leaders through a project which focuses on self-discovery, communication, open dialogue and project management. The motto of the project is *“Investing in young African girls is the best economic commitment South Africa can make. Empowered, responsible woman can break the cycle of poverty by taking charge of their future, with positive decision making and meaningful action”*.

The Strate Siyakhula Project will be offered to one high school in the province that has a pass rate of above 75%, to guarantee measurable results and ensure programme effectiveness.

The programme will be conducted in partnership with the Gauteng Department of Education and also be aligned with the curriculum statement. The Strate Siyakhula project is comprised of four levels, with relevant activities to mould our young girls as leaders and to increase their employability.

During 2009, Strate contributed an amount of R194 125 towards this programme which will officially start in 2010.

JSE / Liberty Life Investment Challenge

The programme encourages schools in disadvantaged communities to participate in the JSE's Investment Challenge, which teaches learners how to trade shares. Strate contributed R25 000 during 2009 to provide schools with access to the financial media.

Strate Limited

Corporate governance report *(continued)*

Labour Practices, Environment and Social

Cell C

The theme for the 2009 Cell C “Take A Girl Child To Work” campaign was “Change Your World”, borne, in part from Ghandi’s “*Be the agent of the change you want to see in your world*”. The theme was about women and girls empowering themselves with the knowledge and skills they need to become active and responsible citizens in their communities and South Africa, to change their future for the better and consequently to change the world around them.

On the 28 May 2009, Strate registered as a supporting partner and hosted twenty girls who were from the following schools:

1. Sekolo Sa Borokgo,
2. Orange Farm High,
3. Jabulile Secondary
4. Mondeor High School
5. Kliptown Secondary
6. Sunward Park High School
7. Florida Park High and;
8. Sehopotso Secondary

Strate exposed the girls to a professional work environment and role models. The exposure assists them in making career decisions based on the real world experiences of others. They were also provided with a platform to discuss the needs of children and their role in the country’s socio-economic development. Strate donated an amount of R10 565 towards this initiative.

Employee involvement / nominations

On an annual basis, Strate staff are able to nominate a charity or worthy cause within their community. All the nominations are presented to the Executive Committee who selects the charity that will benefit from such a donation. This initiative involves all staff and gives the smaller community-based charities a chance to receive the much needed funds. Five suitable charities were selected during 2009. The charities nominated were:

- Hospice East Rand
- Seed Time and Harvest
- Tabernacle
- Dawn Park Primary School and,
- Kitty and Puppy Heaven

Strate Limited

Corporate governance report *(continued)*

Labour Practices, Environment and Social

Payroll Giving

The concept of “Payroll Giving” is rooted in the collection of seemingly insignificant donations given to worthy causes on a monthly basis. Through Payroll Giving, an agreed amount is deducted voluntarily from an employee’s salary on a monthly basis and paid directly to the South African Children’s Charity Trust. An employee can choose to donate any amount (from as little as R5) that he/she feels comfortable with.

Strate also contributes to this initiative as it matches the employee donations.

Strate Charity Shares (“SCS”)

SCS is a charity donation programme run by Strate, Computershare Investor Services and PSG Online. SCS serves as a convenient mechanism whereby shareholders can quickly and easily donate small or large amounts of shares to charity. It does not cost the person making the donation anything and it is also tax-deductible.

SCS is a highly effective vehicle for disposing of small holdings of shares that are too costly to sell through a stockbroker.

The donations have helped organisations like The Salvation Army, Bethany House Trust, Lifeline and The African Children’s Feeding Scheme.

Educational Support

The staff policies of Strate make provision for educational support to children of qualifying staff members. Each qualifying staff member is entitled to support to the value of R5 000 per annum subject to the conditions stipulated in the staff policies.

Strate Limited

Corporate governance report *(continued)*

Labour Practices, Environment and Social

Society and Transformation

Strate attained a B-BBEE (Broad Based Black Economic Empowerment) certificate Level 8 rating for the period of January to December 2008. A Level 8 rating implies a recognition level of 10%. An additional 2.5% was achieved as Strate was classified as a Value Adding Supplier bringing the overall recognition level to 12.5%.

Strate is confident that it will improve on their rating for 2009. This demonstrates our commitment to transformation which goes beyond simply complying with legislation.

Strate's Statement of Intent regarding B-BBEE includes the following critical criteria;

1. Equity Ownership

All shareholders provided Strate with their most up-to-date Black Economic Empowerment ("BEE") certificates. FirstRand Bank Limited had a new black shareholder entrant with voting rights and this contributed to Strate's increased equity ownership score.

2. Management Control

A bonus point was allocated to Strate for having black independent directors.

3. Employment Equity

Strate aligned its entire workforce with the EAP (Economic Active Population) figures from Statistics SA and used the data to compile a five year recruitment plan to align to B-BBEE. Previously disadvantaged representation is currently;-

- Middle management 25.61%; and
- Junior management 57.81%.

4. Skills Development

Strate has been submitting Workplace Skills Plan and Annual Training Reports to Fasset Seta since the inception of the Skills Development Levies Act of 1999. Strate wholeheartedly embraces all aspects of B-BBEE when it comes to the development of individuals by using programmes such as the FranklinCovey mentorship programme. It is also a company whose primary focus is the development of people.

Strate Limited

Corporate governance report *(continued)*

Labour Practices, Environment and Social

5. Preferential Procurement

Preferential Procurement measures an organization's BEE procurement spend from suppliers based on the BEE Procurement Recognition Levels as a percentage of the total measured procurement spend. The five year compliance target for Generic is 50% of all procurement on BEE suppliers and 10% on QSE (Qualifying Small Enterprises) and EME's (Exempted Micro Enterprises). Strate exceeded all expectations with 95.88% spent on BEE suppliers and a 45.66% spent on QSE and EME's.

6. Socio Economic Development

Strate supported initiatives that helped beneficiaries gain sustainable access to the economy. Strate contributed 1% of Net Profit After Tax to the Socio-Economic Development beneficiaries.

7. Enterprise Development

No points were achieved as there were no initiatives implemented.

Conclusion

As far as BEE is concerned, Strate acknowledges that there is a scarcity of managerial and leadership skills, as far as BEE is concerned, as well as lack of skills in the general workplace. To this end, Strate is involved in a number of initiatives, including training and development programmes, to raise skills levels.

The workforce profile statistics for Strate are as follows:

Classification		2009	2009	2008	2008
		No. of Staff	Percentage	Percentage	No. of Staff
Gender	Female	61	51.2%	48%	56
	Male	58	48.7%	52%	61
		119	100%	100%	117
Race	White	49	41.1%	46%	54
	Coloured	14	11.8%	12%	14
	Black	40	33.6%	28%	32
	Indian	14	11.8%	11%	13
	Other	2	1.7%	3%	4
		119	100%	100%	117
Disabled	Disabled	3	2.5%	2%	2
	Not disabled	116	97.5%	98%	115
		119	100%	100%	117

Strate Limited

Corporate governance report *(continued)*

Sustainability report *(continued)*

International activities

Africa-general

Strate is aligned to international best practices and continually strives to bring further efficiencies and enhancements for the good of the Southern Africa's financial community.

Strate became a member of the Committee of the SADC Stock Exchanges ("CoSSE") in October 2008 in order to further this initiative. Quarterly reports, containing an update of the various initiatives and operations of Strate are submitted to CoSSE and we actively participate in the meetings and projects.

We believe that our membership to this Committee will assist us in our drive to expand into Africa.

AMEDA

Strate successfully hosted the Africa and Middle East Depositories Association Conference ("AMEDA") annual meeting.

The first AMEDA leadership conference was held in Egypt from 25- 29 April 2009 and afforded our staff the opportunity to interact with AMEDA members thereby increasing their knowledge and understanding of the industry at an international level.

Strate played a very active role as it structured the programme, made several presentations at the conference and afforded a number of junior staff members the opportunity to attend.

ACSDA

Strate is a member of Americas' Central Securities Association ("ACSDA") and actively participates and contributes to the association. The CEO of Strate is a member of the ACSDA Executive.

Link-up Capital Markets S.L, Spain

The CEO of Strate was appointed as a Board member of Link-up Capital Markets S.L, Spain. The appointment represents a great opportunity to interact with our international peers and further enhance securities services in South Africa.

Other

Strate representatives have been appointed to various industry working committees eg. Corporate Action committee of the International Security Services Association ("ISSA") and the IT sub-committee of ACSDA.

During 2009 CSDs globally formed an international body (the "Interim CSD"), which is equivalent of the World Federation of Exchanges ("WFE"), to represent the views of CSDs globally. The CEO of Strate was appointed to the Interim CSD to represent AMEDA and ACSDA.

Strate Limited

Corporate governance report *(continued)*

Audit and Risk Committee report for the financial year ended 31 December 2009

As Chairman of the Audit and Risk Committee, it is my pleasure to submit the Strate Audit and Risk Committee report for 2009.

The overall objective of this committee is to assist the Board of Directors in the discharge of its duties relating to corporate accountability and, in so doing, to see that management has created and maintained an effective control environment in the organisation, and that management demonstrates and stimulates the necessary commitment to the internal control structures amongst all parties.

The Committee assists the Board with the discharging of its responsibilities to:-

- safeguard the company's assets;
- maintain adequate accounting records;
- develop and maintain effective systems of internal control;
- outline the scope of risk management work;
- provide an independent and objective oversight and review of information presented by management on areas of financial, strategic and business risk.

We are satisfied that we have complied with our mandate, particularly in the areas of:

- evaluating the independence and effectiveness of the internal and external auditors;
- reviewing the annual report and financial statements to ensure that they present a balanced and understandable assessment of the position, performance and prospects of the company;
- evaluating the company's risks, the measures taken to mitigate those risks and the treatment of the residual risk;
- maintaining a comprehensive and effective control environment in the organisation; and
- Compliance by the company with legislation impacting on it.

During the year the Committee met four times. The members of the Committee and their attendance at the meetings were as follows:

Member	Classification	19 March 2009	9 June 2009	28 August 2009	9 November 2009	Total
A van der Merwe (Chairman)	Independent	Y	Y	Y	Y	4
R Loubser	Non-Executive	Y	Y	N	Y	3
N Payne*	Independent	Y	Y	Y	Y	4
S Zilwa	Independent	Y	Y	N	Y	3
H Swanepoel	Invitee	Y	Y	Y	Y	4

* Appointed member on the 29 September 2009.

The Chief Executive Officer, Chief Financial Officer and other members of management as appropriate, and representatives from the external and internal auditors attend the meetings by invitation. The Committee also makes use of a number of subject matter experts to guide it in the execution of its duties.

No invitees are entitled to vote.

Strate Limited

Corporate governance report *(continued)*

Audit and Risk Committee report for the financial year ended 31 December 2009 *(continued)*

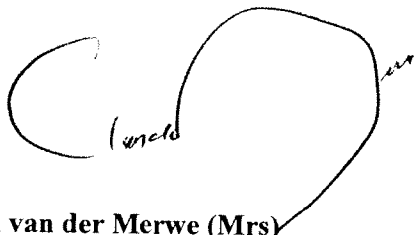
The Committee has reviewed and considered various issues delegated to it by the Board. Issues worth noting are as follows:

- the committee reviewed and recommended the appointment of the external auditors;
- reviewed the audit plan prepared by the external auditors for the year end audit, as well as the audit plan from the internal auditors;
- reviewed the annual financial statements, interim financial statements, forecast and budgets, and recommended these to the Board for its consideration and approval;
- conducted ongoing reviews of the risks relevant to the company and how these have been mitigated;
- reviewed the competency and performance of the Chief Financial Officer; and
- reviewed the activities of the internal auditors in accordance with the agreed internal audit plan and charter, taking note of the findings and recommendations for the improvement of the controls environment within the company.

The Audit and Risk Committee has no reason to believe that the auditors, KPMG Inc have not at all times acted with unimpaired independence during the audit of the financial statements.

The Committee is satisfied that all material issues have been dealt with in terms of its Terms of Reference and constitution. No other, additional, responsibilities were delegated to the Committee by the Board during the period under review.

At this juncture I would, on behalf of the Board, like to express my sincere gratitude to my fellow committee members for their efforts and contributions during the year as well as to management, the auditors and the user community for their ongoing support.

A handwritten signature in black ink, appearing to read 'A van der Merwe', written over a large, irregular, hand-drawn oval shape.

A van der Merwe (Mrs)
Chairman, Audit and Risk Committee
Independent Board member

Strate Limited

Corporate governance report *(continued)*

Remunerations Committee report for the financial year ended 31 December 2009

The overall objective of the Committee is to make recommendations to the Board in the discharge of its duties relating to remuneration.

The Committee met once on the 27th of November 2009. The attendance at the meeting was as follows:

Member	Classification	27 November 2009	Total
ME King (Chairman)	Independent	Y	1
MJ Singer Saul (CEO)	Invitee	Y	1
R Ndlovu	Independent	Y	1
RM Loubser	Non-Executive (Apologies)		
NG Payne	Independent	Y	1

The CEO is invited to attend the meetings but excuses herself when her remuneration is discussed

The Committee met once in 2009 as most of the critical remuneration issues and concerns were resolved and approved in 2008.

The Committee reviewed and considered various issues referred to it by the Board. Issues worth noting are as follows:

- The Committee recommended the remuneration of the CEO and senior management;
- The Committee recommended the remuneration of the Board Members.

Strate Limited

Corporate governance report *(continued)*

Remunerations Committee report for the financial year ended 31 December 2009 *(continued)*

Details of non-executive directors' remuneration for the year under review and as proposed for the 2010 year are set out below. Detailed information in this regard is set out in note 23 of the company's financial statements.

Strate Limited Director Fees 2010	2010		2009	
	Retainer	Meetings	Retainer	Meetings
Chairman of the Board(including Nominations committee)	R317 844	R15 304	R294 300	R14 170
Chairman of the Remunerations Committee(excluding board fee)	R47 088	R15 304	R43 600	R14 170
Chairman of the Audit and Risk Committee(excluding board fee)	R82 404	R15 304	R76 300	R14 170
Chairman of the Regulatory and Supervisory Committee(excluding board fee)	R82 404	R15 304	R76 300	R14 170
Chairman of the Transformation Committee(excluding board fee)	R47 088	R12 949	R43 600	R14 170
Board Members	R58 860	R12 949	R54 500	R11 990
Attendance by board members at sub-committee meetings		R12 949		R11 990
Hourly rates for unscheduled meetings		R1 766		R1 635

Strate Limited

Corporate governance report *(continued)*

Remunerations Committee report for the financial year ended 31 December 2009 *(continued)*

Remuneration Structure and Policies

The Committee reviewed the current remuneration structure, of which a summary is included below:

The remunerations structure of Strate consists of the following components:

- 1) Salary;
- 2) Short term bonus;
- 3) Ex Gratia bonus; and
- 4) Long Term Incentive ("LTI")

Salary

The company adopted the total Cost to Company ("CTC") approach. The CTC of employees is market-related and is benchmarked against industry information on a regular basis.

Short term bonus

The short term bonus policy is designed to reward employees for their contribution to the success of the company each year.

Each employee is rewarded for his/her performance against their specific objectives, which are aligned to the specific objectives of the company.

The short term bonus, which is paid annually, ranges from 1 to 5,7 times monthly CTC depending on an individual employee's seniority and performance.

Ex-Gratia bonus

In 2009 Strate declared an Ex-Gratia bonus pool to employees amounting to 10% of Net Profit After Tax ("NPAT").

Employees share in the Ex-Gratia bonus pool on a pro-rated basis, which is calculated by expressing the employee's short term bonus received, as per the short term bonus policy, as a percentage of the total short term bonuses paid to employees.

The Ex-Gratia bonus is paid in two payments. The first payment, equating to 75% of the estimated Ex-Gratia pool is paid to qualifying employees in November of that year. The balance of the Ex-Gratia bonus pool is calculated once the audited NPAT has been determined and is paid in March/April of the following year.

Strate Limited

Corporate governance report *(continued)*

Remunerations Committee report for the financial year ended 31 December 2009 *(continued)*

Long Term Incentive (“LTI”)

The effective starting date of the LTI was 1 January 2006.

The LTI scheme was implemented in order to retain key and critical employees over the long term to assist the company in achieving its strategic objectives.

Participation is determined annually for each new LTI pool. In order to determine participation, evaluation criteria, which includes a minimum performance management rating, specialised skills or knowledge, and marketability, are used.

The LTI pool is calculated using pre-agreed formulae determined by the Remunerations Committee and approved by the Board. At the introduction of the LTI scheme, the LTI pool was set at 20% of the normal dividend, excluding any special dividends declared, excluding any special dividends. The Remunerations Committee and Board retain the discretion to change the formulae at any point for the determination of future LTI pools. The 2009 LTI pool was determined at 16% of the normal dividend declared, excluding any special dividends.

The share in the LTI pool is on a pro-rated basis. Each participant is allocated a specific multiple, ranging from 2 to 5 of their annual CTC, based on the participant’s seniority in the company.

A participants’ interest in the LTI pool is calculated by expressing his/her annual CTC, times the multiple allocated to each participant, as a percentage of the total annual CTC, times the multiples for all participants of the LTI pool.

The accumulated participation interest of each participant is capped not to exceed the participants’ annual CTC times the multiple allocated, and in addition, is not to exceed 20% of the LTI pool.

The LTI scheme operates on a five year cycle with payments spread equally in years 3, 4 and 5. The first payment to eligible participants was made in December 2008 based on the 2006 results. The second payment was made in December 2009 based on two-thirds of the 2006 results and one-third of the 2007 results.



ME King

Chairman, Remunerations Committee
Chairman of Board

Strate Limited

Corporate governance report *(continued)*

Nominations Committee report for the financial year ended 31 December 2009

The overall objective of the Committee is to make recommendations to the Board on the appointment of Directors.

During the year the Committee met twice, on 20 January 2009 and 31 March 2009. The attendance at the meeting was as follows:

Member	Classification	20 January 2009	31 March 2009	Total
ME King (Chairman)	Independent	Y	Y	2
MJ Singer Saul	CEO	Y	Y	2
RM Loubser	Non-Executive	N	N	0
RGM Ndlovu	Chairman Of Transformation Committee	Y	Y	2

The CEO and Chairman of the Transformation Committee are invited to attend the meetings.

The Committee reviewed and considered various issues. Those worth noting are as follows:

- The Committee discussed succession planning of the Chairman of the Regulatory and Supervisory Committee;
- Mr RJG Barrow was nominated to replace Mr RG Cottrell who was retiring from the Board in June. The Committee thanked Mr RG Cottrell for his contributions during his tenure as board member and Chairperson of the Regulatory and Supervisory Committee;
- The Committee discussed succession planning of the CEO and recommended the recruitment of a COO. Mr AF van Eden was nominated to the board as the COO;
- The Committee considered nominations for a vacant board position and nominated Mrs N Makiwane to the board; and
- The Committee conducted an evaluation of the performance of the Committee and the Chairman of the Committee.



ME King
Chairman, Nominations Committee
Chairman of Board

Strate Limited

Corporate governance report *(continued)*

Regulatory and Supervisory Committee report for the financial year ended 31 December 2009

The Regulatory and Supervisory Committee was established to assist the Board in supervising the activities of the CSD Participants (“Participants”) in terms of its CSD licence, issued in terms of the Securities Services Act of 2004 (“SSA”), which requires the CSD to be an SRO.

The overall objective of this Board Committee is to assist the Board of Directors in the discharge of its regulatory and supervisory responsibilities in terms of the SSA.

Under the SSA and Rules of Strate, power and responsibility is conferred upon the Board as the controlling body to:

- make, alter and rescind rules and directives;
- enforce the rules and directives;
- initially admit Participants and monitor their suitability to remain Participants;
- monitor Participants’ compliance with the rules and directives;
- monitor the record keeping, internal controls and risk management procedures of the Participants;
- approve Nominees in terms of Section 36(1)(b) of the SSA and Directive SAN; and
- carry out enforcement, investigation and disciplinary functions.

The FSB is responsible for licensing Exchanges, namely the JSE Limited (“the JSE”) (which from July 2009 merged with the Bond Exchange of South Africa (“BESA”), and the CSD (“Strate”). A co-regulatory relationship exists within the South African financial markets with the Bank Supervision Department of the South African Reserve Bank (“SARB”) being responsible for regulating banks, the JSE for regulating brokers (“Authorised Users”) and Strate for the regulation and supervision of Participants.

A separate Regulatory and Supervisory or SRO Report is published annually which details the regulatory and supervisory activities of Strate. Previous reports can be obtained from Strate’s offices or from the website www.strate.co.za.

The Committee conducted a Self-Assessment during November 2009. The results were satisfactory and no significant negative comments were raised.

The following changes to the Committee took place during 2009:

RG Cottrell (Chairman) – resigned from the Board and this Committee on 30 June 2009. He played an influential role in developing not only the Committee but the formation of the Supervision Division during his tenure, which commenced in 2000. His invaluable contribution will always be greatly appreciated.

MJ Stocks – joined with effect from 1 January 2009.

RJG Barrow – joined with effect from 1 January 2009 and was appointed as Chairman with effect from 1 July 2009.

Strate Limited

Corporate governance report *(continued)*

Regulatory and Supervisory Committee report for the financial year ended 31 December 2009 *(continued)*

The other members of the Committee include:

MR Johnston

NG Payne

A van der Merwe

SV Zilwa

Observers

Representative of the:

Financial Services Board (FSB), K Naidoo and A Manganyi

JSE - S Davies

BESA - J Shayi (Alternate G Greubel)*

CEO of Strate - MJ Singer Saul

Due to the merger of the JSE and BESA, two observers from the JSE attend meetings – S Davies attends and participates for Equities Market matters, whilst J Shayi participates for Bond Market matters. G Greubel resigned from the JSE and as an observer on the Committee in October 2009.

As observers on this Committee, representatives of the FSB, JSE and the CEO of Strate recuse themselves when a matter discussed involves confidential information relating to a Participant or any other potential conflict of interest situation.

Strate Limited

Corporate governance report *(continued)*

Regulatory and Supervisory Committee report for the financial year ended 31 December 2009 *(continued)*

The Committee met ten times during 2009 of which six were special purpose meetings. The table below records attendance at meetings:

	9 February 2009	17 March 2009	9 June 2009	11 August 2009	9 November 2009	Total
<u>Members:</u>						
RJG Barrow	Y	Y	Y	Y	Y	5
RG Cottrell	Y	Y	Y	n/a	n/a	3
MR Johnston	Y	Y	Y	Y	Y	5
NG Payne	A	Y	Y	Y	Y	4
MJ Stocks	R	Y	N	Y	Y	3
A van der Merwe	Y	Y	Y	Y	Y	5
SV Zilwa	Y	A	Y	N	Y	3
<u>Observers</u>						
FSB	Y	Y	N	Y	Y	4
S Davies - JSE	N	Y	Y	N	N	2
G Greubel - BESA						0
Alt	N	N	N	n/a	n/a	
J Shayi - BESA	N	Y	N	N	N	1
MJ Singer Saul	R	Y	Y	Y	Y	4

A = apologies

Y = attended meeting

R = recused from meeting due to confidentiality

N = did not attend meeting

Note:

Special purpose meetings are generally called on short notice to discuss matters requiring immediate attention. The following special purpose meetings were held in 2009:

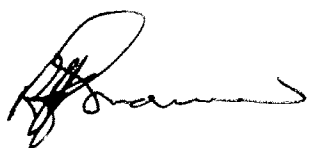
31 March; 8 April; 11 May; 1 September and 6 October.

The Committee is satisfied that all material issues arising from its Terms of Reference have been dealt with.

I would like to thank the members of the Committee and relevant members of Strate's staff for their contributions to the Committee's activities.

RJG Barrow

Chairman, Regulatory and Supervisory Committee
Independent Board member



Strate Limited

Corporate governance report *(continued)*

Transformation Committee report for the financial year ended 31 December 2009

The Transformation Committee was established on 6 September 2007 to assist the Board in defining a transformation agenda in line with the Code of Good Practice in Black Economic Empowerment and the proposed Financial Sector Charter.

During 2009, the Committee met quarterly. Attendance at the meetings for the year was as follows:

Member	Classification	30 March 2009	10 June 2009	26 August 2009	3 November 2009	Total
RSM Ndlovu (Chairman)	Independent	Y	Y	Y	Y	4
PL Campher	Independent	Y	Y	Y	N	3
RM Loubser	Non-Executive	Y	Y	Y	Y	4
SV Zilwa	Independent	Y	Y	N	Y	3

The CEO and other members of management, as appropriate, attend the meetings by invitation.

The Committee reviewed and considered the following issues:

- Strate's BEE Strategy;
- Strate Charter on Transformation;
- BEE Scorecard elements;
- Code of Good Practice;
- The future shareholding of Strate; and
- The Board and Management representatives within Strate.

Strate obtained B-BBEE Level 8 rating for the financial year which ended on 31 December 2009. Consequently, Strate achieved an overall recognition level of 12,5%, as 2,5% (for classification as a Value Adding Supplier) in addition to the 10% recognition that is given for a Level 8 rating.

Strate is confident that it will improve on their rating for 2009. This demonstrates our commitment to transformation which goes beyond simply complying with legislation.

Strate Limited


Corporate governance report *(continued)*

Transformation Committee report for the financial year ended 31 December 2009 *(continued)*

Strate's approach to transformation is based on the holistic perspective that is an economic and business imperative. Strate seeks to play an active role in transformation by engaging shareholders, directors, employees, customers, business partners, suppliers and the community in this process.

During 2009, the Committee continued to put more emphasis on the alignment of Strate's Strategic Business and Transformation imperatives. In executing its transformation strategy, Strate remains focused on providing clearing, settlement and depository services while ensuring good corporate governance and citizenship.

I would like to thank the fellow Committee members and management for their ongoing support and dedication to ensuring meaningful transformation within Strate.



RSM Ndlovu
Chairman, Transformation Committee
Independent Board member

Strate Limited

Value added statement

	Notes	2009 R'000	2008 R'000
Revenue		258 103	259 698
Other income		1 732	1 604
Paid to suppliers for services rendered		(69 388)	(75 823)
Value added		190 447	185 479
(Profit)/Loss on sale of fixed assets		(25)	5
Finance income		10 632	10 595
Total wealth created		201 054	196 079
Wealth Distribution:			
Salaries and other benefits	1	77 615	72 118
Finance expenses		-	9
Government	2	35 991	34 458
Reinvested to maintain and develop operations		214 792	176 929
Depreciation		17 737	11 944
Retained earnings		198 873	167 216
Deferred tax release		(1 818)	(2 231)
Value added ratios:			
Number of employees (31 December)		119	117
Revenue per employee (R'000)		2 169	2 220
Wealth created per employee (R'000)		1 690	1 676

NOTES

All amounts are paid in accordance with agreed terms.

1. Salaries and other benefits:

Personnel remuneration	68 176	66 288
Employee Contributions to defined contribution plan	1 915	1 663
Executive directors' emoluments	7 524	4 167
	77 615	72 118

2. Central and local government:

Taxation	35 657	33 870
Skills development levy ("SDL")	334	588
	35 991	34 458

Strate Limited

Directors' responsibility for the annual financial statements

The company's directors are responsible for the preparation and fair presentation of the annual financial statements, comprising the statement of financial position at 31 December 2009, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal financial control. The Board has ultimate responsibility for the system of internal controls and reviews the effectiveness of its operation.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the company's policies and procedures. These controls are implemented by trained, skilled personnel with clearly defined lines of accountability and an appropriate segregation of duties. The controls are monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

The annual financial statements are prepared in accordance with International Financial Reporting Standards, and incorporate responsible disclosure in line with the accounting philosophy of the company. The financial statements are based on appropriate accounting policies, consistently applied, except as otherwise stated, and supported by reasonable and prudent judgements and estimates.

The directors believe that the company will be a going concern in the year ahead as set out in the directors' report. For this reason they continue to adopt the going concern basis in preparing the annual financial statements.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Strate Limited

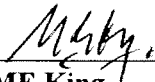
Directors' responsibility for the annual financial statements *(continued)*

Group financial statements

Group annual financial statements for Strate Limited and its subsidiary company, CD Nominees (Proprietary) Limited have not been presented on a consolidated basis, on the basis that the consolidation will have no material effect on the financial position, performance and cash flows of the group.

Approval of the annual financial statements

The annual financial statements were approved by the board of directors on 24 March 2010 and are signed on its behalf by:



ME King
Chairman

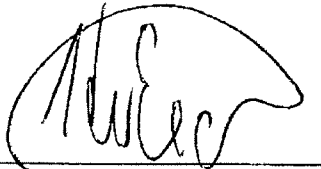


MJ Singer Saul
Chief Executive Officer

Strate Limited

Declaration by the company secretary

In my capacity as company secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 31 December 2009, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.



H van Eeden
Company Secretary

Report of the Audit and Risk Committee in terms of section 270A (1)(f) of the Companies Act of 1973

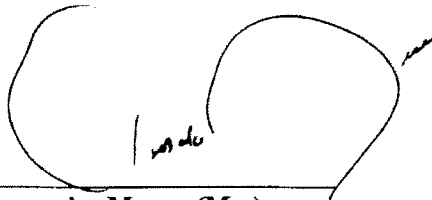
The Corporate Laws Amendment Act 24 of 2006 ("CLAA") came into effect on 14 December 2007. In compliance with the CLAA, an audit committee was appointed by the board of directors.

During the financial year ended 31 December 2009, in addition to the duties set out in the audit & risk committee's terms of reference, the audit & risk committee carried out its functions as follows:

- nominated the appointment of KPMG Inc. as the registered independent auditor after satisfying itself through enquiry that KPMG Inc and Mr R Warren-Tangney, the designated auditor are independent as defined in terms of the CLAA;
- determined the fees to be paid to KPMG Inc. and their terms of engagement;
- ensured that the appointment of KPMG Inc. complied with the CLAA and any other legislation relating to the appointment of auditors; and
- satisfied itself with the appropriateness and expertise of the executive committee member responsible for finance.

The audit & risk committee recommended the annual financial statements for the year ended 31 December 2009 for approval to the board. The board has subsequently approved the annual financial statements.

A detailed report from the audit and risk committee is included on pages 36 to 37.



A van der Merwe (Mrs)
Chairman, Audit and Risk Committee
Independent Board member



KPMG Inc
KPMG Crescent
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Private Bag 9, Parkview, 2122, South Africa

Telephone +27 (11) 647 7111
Fax +27 (11) 647 8000
Docex 472 Johannesburg
Internet <http://www.kpmg.co.za/>

Report of the Independent Auditors

To the members of Strate Limited

We have audited the annual financial statements of Strate Limited, which comprise the statement of financial position at 31 December 2009, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 53 to 93.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Strate Limited at 31 December 2009, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.

Per R Warren-Tangney
Chartered Accountant (SA)
Registered Auditor
Director
24 March 2010

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.
Registration number 1999/021543/21

Policy Board
Chief Executive: RM Kgosana
Executive Directors: TH Bashali*, DC Duffield, A Hari, TH Hoole, FB Leith, JS McIntosh, AM Mngabudhi, D van Heerden
Other Directors: LP Foure, A Jaffer, E Magondo, CM Read, Y Suleman (Chairman of the Board), A Thunstrom, JM Vice

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection

* British



Strate Limited

Directors' report

for the year ended 31 December 2009

The directors have pleasure in presenting their report for the year ended 31 December 2009.

Principal activities

Strate's activities for the year under review include clearing and settlement of trades in securities listed on the JSE Limited ("JSE") and clearing and settlement of trades in securities listed on the Bond Exchange of South Africa Limited ("BESA"), part of the JSE from the 22 June 2009 as the JSE acquired BESA.

Strate is also a licensed Central Securities Depository ("CSD") in terms of the licence that was granted by the Financial Services Board ("FSB"). In terms of the licence, Strate assumes additional responsibilities in terms of the CSD Rules and the Securities Services Act ("SSA"). These include:

- the responsibility for the regulation of the business activities of the Equity and Bond participants; and
- the responsibility of the Board to be the controlling body of the CSD in addition to the Board's normal fiduciary duties.

Operating results

During the year ended 31 December 2009, profit from operations decreased by 11% to R91,1 million (2008: R102,5 million).

Revenues decreased by 1% to R258,1 million (2008: R259,7 million).

Operating expenditure increased by 6% to R168,8 million (2008: R158,8 million), mainly as a result of:

- staff costs, which increase was in line with the annual salary increase ;
- Depreciation and amortization as we acquired new computer equipment, revised the useful lives and residual values of the equipment, replaced the BND application and acquired additional software.

We are pleased with the performance and stability of Strate's systems and applications, as well as those of the participants and exchanges during the year.



Strate Limited

Directors' report

for the year ended 31 December 2009 (continued)

Share capital

The company did not issue any shares during the year under review.

Details of the company's authorised and issued share capital appear in notes 14 and 15 to the annual financial statements.

Ownership

The shareholders of Strate Limited and their percentage holdings at the date of this report, are as follows:

	Current %	2008 %
JSE Limited	44,547	44,547
Absa Bank Limited	12,679	12,679
Citibank N.A.	0,103	0,103
FirstRand Bank Limited	12,679	12,679
Nedbank Limited	14,996	14,996
The Standard Bank of South Africa Limited	14,996	14,996
	<u>100,000</u>	<u>100,000</u>

Dividends

The company declared and paid an ordinary dividend of R4 075 per share during the financial year, which was based on the dividend policy of 2 times cover.

An ordinary dividend of R3 542 per share and a special dividend of R2 050 per share are proposed to be paid by 30 April 2010.

Directors

The directors of Strate at the date of this report are set out in the Corporate Governance report on page 14. The following appointments and resignations have taken place since the previous annual report:

Directors' appointments

AF van Eden	(Executive)	(appointed 23 June 2009)
NE Makiwane	(Independent Non-executive)	(appointed 23 June 2009)
NG Payne	(Non-executive)	(appointed 27 November 2009)

Directors' resignations

RG Cottrell	(Independent Non-executive)	(resigned 23 June 2009)
SPM Yates	(Non-executive)	(resigned 1 December 2009)



Strate Limited

Directors' report

Company secretary and registered office

The company secretary at the date of this report is H van Eeden.

Business address	Postal address
9 Fricker Road Illovo Boulevard, Illovo Sandton 2146	PO Box 78608 Sandton 2146

Strate Limited, registration number 1998/022242/06 is incorporated and domiciled in South Africa.

Contracts

No contracts in which directors and officers had an interest and that significantly affected the affairs or business of the company were entered into during the year. Related party disclosure is set out in note 20.

Basis of presentation of financial information

The financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The accounting policies applied are consistent with those applied in the previous year.

Going concern

The directors believe that the company has adequate resources to continue as a going concern in the foreseeable future.

Auditors

KPMG Inc to continue in office as the auditors of Strate Limited.

Post-balance sheet events

No other material events occurred after the balance sheet date that would require adjustment or disclosure in the annual financial statements.

CSD Participants

The CSD participants at 31 December 2009 are:

Absa Bank Limited
Computershare Limited
FirstRand Bank Limited
Nedbank Limited
Société Générale, Johannesburg Branch
The Standard Bank of South Africa Limited
The South African Reserve Bank



Strate Limited

Statement of comprehensive income for the year ended 31 December 2009

	Note	2009 R'000	2008 R'000
Revenue	4	258 103	259 698
Other income		<u>1 732</u>	<u>1 604</u>
Total income		259 835	261 302
Operating expenditure		(168 812)	(158 830)
Personnel expenses	5	(70 091)	(66 288)
IT expenditure	5	(31 957)	(30 323)
Depreciation and amortisation expense	5	(17 737)	(11 944)
Impairment charge	5	(826)	(85)
Other operating expenditure		<u>(48 201)</u>	<u>(50 190)</u>
Profit from operations		91 023	102 472
Finance income		10 632	10 595
Finance expenses		<u>-</u>	<u>(9)</u>
Profit before taxation		101 655	113 058
Taxation	6	(32 546)	(33 548)
Profit for the year		<u>69 109</u>	<u>79 510</u>
Other comprehensive Income		-	-
Total comprehensive income		<u>69 109</u>	<u>79 510</u>
Basic and diluted earnings per share (Rands)	7	7 084	8 150



Strate Limited

Statement of financial position

at 31 December 2009

	Note	2009 R'000	2008 R'000
Assets			
Non-Current asset			
Property, plant and equipment	9	81 715	62 401
Intangible assets	10	20 529	20 302
Deferred tax asset	13	57 329	42 098
Available-for-sale-financial assets	21	2 638	–
		1 219	–
Current assets			
Trade and other receivables	11	160 028	148 300
Cash and cash equivalents	12	30 014	29 342
		130 014	118 958
Total assets		241 743	210 701
Equity and liabilities			
Equity attributable to the owners			
Ordinary and preference share capital	15	219 958	187 266
Retained earnings		10	10
Other components of equity		198 873	167 216
		21 075	20 040
Non-current liabilities			
Deferred taxation	13	–	2 519
		–	2 519
Current liabilities			
Current tax liabilities		21 785	20 916
Trade and other payables	17	499	1 792
Employee benefits	23	12 020	10 882
		9 266	8 242
Total equity and liabilities		241 743	210 701



Strate Limited

Statement of changes in equity for the year ended 31 December 2009

	Share capital R'000	Share premium R'000	Capital redemption reserve fund R'000	Retained earnings R'000	Total R'000
Balance at 1 January 2008	10	19 990	50	104 155	124 205
Total comprehensive income for the period					
Profit or loss	–	–	–	79 510	79 510
Other comprehensive income, net of income tax	–	–	–	–	–
Total comprehensive income for the period	–	–	–	79 510	79 510
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends to equity holders	–	–	–	(16 449)	(16 449)
Balance at 31 December 2008	10	19 990	50	167 216	187 266



Strate Limited

Statement of changes in equity

for the year ended 31 December 2009 (continued)

	Share capital R'000	Share premium R'000	Capital redemption reserve fund R'000	Special purpose reserve fund R'000	Retained earnings R'000	Total R'000
Balance at 1 January 2009	10	19 990	50	–	167 216	187 266
Prior year adjustment	–	–	–	–	3 339	3 339
Total comprehensive income for the period						
Profit or loss	–	–	–	–	69 109	69 109
Other comprehensive income, net of income tax						
	–	–	–	–	–	–
Transfer	–	–	–	1 035	(1 035)	–
Total comprehensive income for the period	–	–	–	1 035	71 413	72 448
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends to equity holders	–	–	–	–	(39 756)	(39 756)
Balance at 31 December 2009	10	19 990	50	1 035	198 873	219 958



Strate Limited

Statement of cash flows

for the year ended 31 December 2009

	Note	2009 R'000	2008 R'000
Cash flows from operating activities			
Cash generated by operations	19.1	110 850	117 767
Finance income	19.2	10 632	10 794
Finance expenses		–	(9)
Taxation paid	19.3	(35 657)	(33 870)
Dividends paid		(39 756)	(16 449)
Net cash inflow from operating activities		46 069	78 233
Cash flows from investing activities			
Investment in property, plant and equipment	9-10	(33 481)	(25 029)
Investment to maintain operations		(26 134)	(12 811)
Investments to expand operations		(7 347)	(12 218)
Investment in available for sale financial assets		(1 844)	–
Proceeds on disposal of fixed assets		312	3
Net cash outflow from investing activities		(35 013)	(25 026)
Net increase in cash and cash equivalents		11 056	53 207
Cash and cash equivalents at beginning of the year	12	118 958	65 751
Cash and cash equivalents at the end of the year		130 014	118 958



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

1. Reporting entity

Strate Limited is a company domiciled in South Africa. The address of the company's registered office is:

1st floor, 9 Fricker Road,
Illovo Boulevard
Illovo, Sandton
2196

The company is primarily involved in providing clearing, settlement and depository services for securities.

2. Basis of preparation

2.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the South African Companies Act of 1973.

The financial statements were approved by the Board of the Directors on 24 March 2010.

2.2 Basis of measurement and presentation

The financial statements have been prepared on the historical cost basis, except for the items stated at fair value as described below in the notes. The financial statements are presented in Rand, which is the company's functional currency, rounded to the nearest thousand.

2.3 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Notes 3.3 and 9	– Property, plant and equipment
Notes 3.4 and 10	– Intangible assets
Notes 3.5, 5.9 and 10	– Impairment of financial and non-financial assets



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

3 Accounting policies

The accounting policies, set out below, have been applied consistently to all periods presented in these financial statements.

3.1 Foreign currency transactions

Transactions in currencies other than the entity's functional currency are translated at the rate of exchange ruling on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at reporting date.

Gains or losses arising on exchange differences are recognised in profit and loss.

3.2 Financial instruments

3.2.1 *Non-derivative financial instruments*

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents trade and other payables and available-for sale-financial instruments

Measurement

Financial instruments are initially measured at fair value, which includes directly attributable transaction costs, except for instruments carried at fair value through profit and loss. Subsequent to initial recognition these instruments are measured as set out below:

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents are measured at amortised cost using the effective interest method

Trade and other receivables

Trade and other receivables are measured at amortised cost, using the effective interest method, less impairment losses.

Trade and other payables

Trade and other payables are measured at amortised cost, using the effective interest method, less impairment losses.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

3. Accounting policies (continued)

3.2.2 Available for sale financial assets

Available-for-sale investments are non-derivative investments that are designated as available for sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

A non-derivative financial asset may be classified from the available-for-sale category to loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Company has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

3.2.3 Share capital

Ordinary share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Dividends are recognised as a liability in the period in which they are declared.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

3 Accounting policies (continued)

3.3 Property plant and equipment

Recognition and measurement

Property plant and equipment comprises furniture, computer equipment, and motor vehicles and is stated at cost less accumulated depreciation and accumulated impairment losses (refer to accounting policy 3.5). Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of the assets to reduce the value of the assets to their residual values.

The estimated useful lives are as follows:

Furniture	5 – 6 years	(2008 : 5 – 6 years)
Motor vehicles	5 years	(2008 : 5 years)
Computer equipment	3 – 7 years	(2008 : 3 – 7 years)

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Gains/ (losses) on the disposal of fixed assets are credited/ (charged) to the statement of comprehensive income.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

3 Accounting policies (continued)

3.4 Intangible assets

Software acquired is stated at cost less accumulated amortisation and impairment losses

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense when incurred.

Expenditure on development activities, whereby research findings are applied to a plan for the production of new or substantially improved products and processes, is capitalised if the development cost can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the company intends to and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalised includes the cost of direct labour and an appropriate proportion of overheads and costs that are directly attributable to preparing the asset for its intended use.

Other development expenditure is recognised in the income statement as an expense as incurred.

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of the intangible assets. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Estimated useful are as follows:

Purchased software	2 – 10 years (2008 : 2 – 10 years)
Developed software	2 – 10 years (2008 : 2 – 10 years)

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

3. Accounting policies (continued)

Recognition and measurement

3.5 Impairment

3.5.1 Financial assets

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognised in profit and loss.

Individually significant financial assets are tested for impairment on an individual basis.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit and loss.

3.5.2 Non-financial assets

The carrying amounts of the company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For capitalised development expenditure that is not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or a cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

3 Accounting policies (continued)

3.5 Impairment (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The impairment loss is recognised in profit and loss

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6 Employee benefits

3.6.1 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit and loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

3.6.2 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.6.3 Long-term employee benefits

The company's net obligation in respect of long-term obligations other than pension plans is the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the value of any related assets is deducted.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

3 Accounting policies (continued)

3.6.4 The discount rate is the yield at the reporting date of listed corporate bonds, adjusted for company specific circumstances, that have maturity dates approximating the terms of the company's obligation. The present value of the amount payable to employees in respect of the long term incentive scheme, which will be settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any change in the carrying value of the liability is recognised as a personnel expense in profit and loss.

3.7 Revenue

Revenue, comprising members fees, settlement charges, non-settlement charges i.e. queries, contract note fees, corporate action charges, front and licence fees, depository fees, issuer fees, data sales host-to-host and SWIFT bureau charges and connectivity fees is recognised in the financial year in which the related service is performed. All revenue is reflected excluding Value Added Taxation.

3.8 Lease payments

Leases where the lessor retains substantially all the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.9 Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit and loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in the statement of comprehensive income using the effective interest method.

Foreign currency gains and losses are reported on a net basis.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

3 Accounting policies (continued)

3.10 Income tax

Taxation on the statement of comprehensive for the year comprises current and deferred tax. Taxation is recognised in statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred taxation is raised in respect of temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income tax levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3.11 Earnings per share

The company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

3 Accounting policies (continued)

3.12	New standards	Description	Effective date	Impact on Strate
	IAS 24 (revised)	Related Party Disclosures	Annual periods commencing on or after 1 January 2011	<p>The definition of a related party has been amended such that if one entity is identified as a related party in another entity's financial statements, then the other entity also will be a related party in the first entity's financial statements.</p> <p>Strate would need to reassess all transactions with respect to the new definition.</p>
	IAS 32 (AC 125) amendment	IAS 32 Financial Instruments: Presentation: Classification of Rights Issues	Annual periods commencing on or after 1 February 2010	As the amendment to the statement only deals with rights issues, there will be no impact on Strate.
	IAS 38 (AC 129)	Intangible assets	Annual periods commencing on or after 1 July 2009	<p>IAS 38 (AC 139) has been amended to indicate that an intangible asset that is separable only together with a related contract, identifiable asset or liability is recognised separately from goodwill together with the related item (in a business combination).</p> <p>The amendment further states that complementary intangible assets with similar useful lives may be recognised as a single asset.</p> <p>This amendment will not impact Strate.</p>



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

3 Accounting policies (continued)

3.12	New standards	Description	Effective date	Impact on Strate
	IFRS 9 (AC 146)	Financial Instruments	Annual periods commencing on or after 1 Jan 2013	The standard requires that financial assets be classified as either measured at Amortised cost or Fair value.

A financial asset is measured at amortised cost if:

The objective of the business model is to hold assets in order to collect contractual cash flows and .The contractual terms give rise, on specified dates, to cash flows that are solely payments of Principal and interest on the principal outstanding. All other financial assets are measured at fair value, with fair value changes taken to profit or loss.

The standard eliminates the existing IAS 39 (AC 133) categories of held to maturity, Available for sale and loans and receivables. Classification takes place on initial recognition and subsequent changes are expected to be rare and subject to certain conditions.

For an investment in an equity instrument that is not held for trading, an entity may on initial recognition elect to present all fair value changes from the investment in other comprehensive income (OCI). No amount recognised in OCI is ever reclassified to profit or loss at a later date

3.13 Special Purpose Reserve

This reserve arose as a result of fines imposed by Strate's supervision division as part of its supervisory obligation to monitor compliance by participants.

This reserve would be used for special projects or market training initiatives and would require the approval of Strate's Audit and Risk Committee.

The decision supporting the above was ratified by Strate's board on 31 March 2009.



Strate Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

	2009	2008
	R'000	R'000
4. Revenue		
Revenue consists of the following:		
Settlement and non-settlement charges	111 703	113 783
Ad-valorem fees	102 583	102 613
Issuers fees	13 231	12 604
Depository fees	9 237	7 978
Connectivity fees	4 671	4 700
Corporate action charges	5 998	7 638
Wide Area Network and SWIFT charges	4 686	4 165
Front end licence and membership fees	2 639	2 707
Data sales	3 355	3 510
	258 103	259 698
5. Operating expenditure		
is arrived at after taking into account:		
<i>Personnel expenses</i>	70 091	66 288
– salaries	46 080	42 706
– contributions to defined contributions plans (refer note 23)	1 915	1 663
– increase in liability for leave pay accrual	1 362	693
– expense related to long-term incentive scheme (refer note 23)	5 369	6 673
– short-term incentive scheme (refer note 23)*	15 365	14 553
*A portion of the Ex-Gratia incentive, amounting to R 3 152 520 (2008: R 2 527 074), which is included in the short-term incentive scheme costs, is only payable in the following year.		
<i>IT expenditure</i>	31 957	30 323
IT expenditure includes expenditure in respect of hardware and software maintenance, communication costs (SWIFT and Wide Area Network) as well as the Local Area Network.		
<i>Depreciation and amortisation (refer note 9 and 10)</i>	17 737	11 944
– Property, plant and equipment	9 036	5 647
– Intangibles	8 701	6 297
<i>Impairment charge consists of:</i>	826	85
– Impairment relating to trade receivables	201	85
– Impairment relating to available-for-sale financial asset	625	-



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

5. Operating expenditure (continued)				
<i>Other operating expenditure includes:</i>				
		2009		2008
		R'000		R'000
<i>Directors' emoluments (refer note 24)</i>		9 747		5 743
– fees for services as directors		1 912		1 480
– fees for consulting services		884		96
– salaries of executive directors		3 446		1 996
– long term incentive scheme		994		445
– short term incentive scheme		2 511		1 726
<i>Operating lease expense</i>		5 305		3 706
– property rentals		5 201		3 474
– equipment		104		232
<i>Auditor's remuneration</i>		890		675
– external audit fee		890		675
<i>Foreign exchange (gain)/loss</i>		(30)		246
<i>Legal fees</i>		327		240
<i>Claims paid</i>		–		25
6. Taxation				
Current taxation		30 388		33 723
Deferred taxation		(1 818)		(2 231)
Secondary tax on companies ("STC")		3 976		2 056
		32 546		33 548
Tax rate reconciliation				
	%	2009	%	2008
		R'000		R'000
Profit before taxation		101 655		113 058
Standard rate of South African normal taxation	28,00*	28 463	28,00*	31 656
<i>Taxation effect of:</i>				
Donations paid	0,02	19	–	–
Impairment	0,08	88	–	–
Tax rate adjustment	–	–	(0,14)	(164)
Secondary tax on companies ("STC")	3,91	3 976	1,81	2 056
Current year's charge as a percentage of profit before taxation	32,01	32 546	29,67	33 548



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

7. Basic and diluted earnings per share	2009	2008
	R'000	R'000
Profit attributable to ordinary shareholders	69 109	79 510
Weighted average number of ordinary shares	9 756	9 756
Basic and diluted earnings per share (Rands)	7 084	8 150
8. Headline earnings reconciliation		
Profit attributable to ordinary shareholders	69 109	79 510
Impairment charge	625	-
Taxation effect	(175)	-
Headline earning	69 559	79 510
Weighted average number of ordinary shares	9 756	9 756
Headline earnings per share (Rands)	7 130	8 150



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

9. Property, plant and equipment

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
Cost				
Balance at 1 January 2008	29 408	1 582	90	31 080
Acquisitions	9 494	162	–	9 656
Disposals	(63)	–	–	(63)
Balance at 31 December 2008	38 839	1 744	90	40 673
Balance at 1 January 2009	38 839	1 744	90	40 673
Acquisitions	8 756	115	–	8 871
Disposals	(9 454)	–	–	(9 454)
Transfer	(56)	56	–	–
Transfer from Intangibles	1 091	–	–	1 091
Balance at 31 December 2009	39 176	1 915	90	41 181



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

9. Property, plant and equipment (continued)

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
Accumulated depreciation				
Balance at 1 January 2008	(13 727)	(1 014)	(37)	(14 778)
Depreciation	(5 500)	(147)	–	(5 647)
Disposals	55	–	–	55
Balance at 31 December 2008	(19 172)	(1 161)	(37)	(20 370)
Balance at 1 January 2009	(19 172)	(1 161)	(37)	(20 370)
Depreciation	(8 850)	(172)	(14)	(9 036)
Disposals	9 167	–	–	9 167
Transfer	13	(13)	–	–
Transfer from Intangibles	(413)	–	–	(413)
Balance at 31 December 2009	(19 255)	(1 346)	(51)	(20 652)
Carrying values				
At 1 January 2008	15 681	568	53	16 302
At 31 December 2008	19 667	583	53	20 303
At 1 January 2009	19 667	583	53	20 303
At 31 December 2009	19 921	569	39	20 529



Strate Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

10 Intangibles

	Purchased Software R'000	Developed Software R'000	Total R'000
Cost			
Balance at 1 January 2008	125 109	20 973	146 082
Acquisitions	3 155	12 218	15 373
Balance at 31 December 2008	128 264	33 191	161 455
Balance at 1 January 2009	128 264	33 191	161 455
Acquisitions	11 558	–	11 558
Disposals	(1 678)	–	(1 678)
Transfer to Property, plant and equipment	(1 091)	–	(1 091)
Internal development	–	13 052	13 052
Balance at 31 December 2009	137 053	46 243	183 296



Strate Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

10. Intangibles

	Purchased Software R'000	Developed Software R'000	Total R'000
Amortisation and impairment losses			
Balance at 1 January 2008	(100 383)	(12 677)	(113 060)
Amortisation for the period	(6 297)	–	(6 297)
Balance at 31 December 2008	(106 680)	(12 677)	(119 357)
Balance at 1 January 2009	(106 680)	(12 677)	(119 357)
Amortisation for the period	(8 701)	–	(8 701)
Disposal	1 678	–	1 678
Transfer to Property, plant and equipment	413	–	413
Balance at 31 December 2009	(113 290)	(12 677)	(125 967)
Carrying values			
At 1 January 2008	24 726	8 296	33 022
At 31 December 2008	21 584	20 514	42 098
At 1 January 2009	21 584	20 514	42 098
At 31 December 2009	23 763	33 566	57 329

	2009 R'000	2008 R'000
11. Trade and other receivables		
Trade receivables - related parties	20 659	18 419
Trade receivables - other customers	6 861	7 267
Other receivables	638	1 224
Rebates on Securities Lending and Borrowing fees	(210)	(163)
Allowance for impairment losses	(368)	(314)
Trade receivables	27 580	26 433
Prepayments	2 434	2 909
	30 014	29 342



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

12. Cash and cash equivalents

	2009 R'000	2008 R'000
Cash on deposit and bank balances comprise:		
Current account	5 508	17 290
Call deposits	124 506	100 657
Money market Securities	–	1 011
	<u>130 014</u>	<u>118 958</u>

Finance income of R10,6 million (2008 – R10,6 million) was earned on bank deposits. The company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 16.

13. Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Accruals	–	93	–	–	–	93
Operating lease	232	16	–	–	232	16
Employee benefits	2 600	2 308	–	–	2 600	2 308
Fixed Assets	1 354	1 354	(5 569)	(6 338)	(4 215)	(4 984)
Income received in advance	80	48	–	–	80	48
Prepayments	–	–	(486)	(815)	(486)	(815)
Allowance for impairment losses	77	66	–	–	77	66
Available for sale instrument	88	–	–	–	88	–
Leave pay accrual	923	749	–	–	923	749
Tax loss - Prior	3 339	–	–	–	3 339	–
	<u>8 693</u>	<u>4 634</u>	<u>(6 055)</u>	<u>(7 153)</u>	<u>2 638</u>	<u>(2 519)</u>



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

13. Deferred taxation (continued)

Movement in temporary differences during the year are attributable to the following:

	Balance at 1 January 2008	Recognised in income statement in 2008	Balance at 31 December 2008	Recognised in income statement in 2009	Balance at 31 December 2009
	R'000	R'000	R'000	R'000	R'000
Accruals	444	(351)	93	(93)	--
Operating lease asset	73	(57)	16	216	232
Employee benefits	649	1 659	2 308	292	2 600
Fixed Assets	(5 754)	770	(4 984)	769	(4 215)
Income received in advance	49	(1)	48	32	80
Prepayments	(836)	21	(815)	329	(486)
Allowance for impairment losses	50	16	66	11	77
Provision for leave pay	575	174	749	174	923
Available for sale	--	--	--	88	88
Tax loss - Prior	--	--	--	--	3 339
	(4 750)	2 231	(2 519)	1 818	2 638

14 Prior period adjustment

	2009 R'000	2008 R'000
Deferred tax	3 339	--

The correction relates to a correction in the tax assets recognised specifically for the assessed loss recognised in prior periods.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

	2009 R'000	2008 R'000
15. Share capital		
<i>Authorised</i>		
10 000 ordinary shares of R1 each	<u>10</u>	<u>10</u>
<i>Issued</i>		
9 756 ordinary shares (2008 : 9 756) of R1 each	<u>10</u>	<u>10</u>
<p>The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.</p>		
16. Share premium		
Share premium balance	<u>19 990</u>	<u>19 990</u>
17. Trade and other payables		
Trade payables - related parties	21	30
Trade payables - other suppliers	10 404	10 349
Accrued expenses	<u>1 310</u>	<u>333</u>
Trade payables	11 735	10 712
Deferred income	<u>285</u>	<u>170</u>
	<u>12 020</u>	<u>10 882</u>

The company's exposure to liquidity risk related to trade and other payables is disclosed in note 18.2

18. Financial instruments

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included through these financial statements.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

18. Financial instruments (continued)

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Audit and Risk Committee, which is a sub-committee of the board, has as part of its Terms of Reference the responsibility to monitor risk management in the company.

The Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

The company, through training and managing standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

The company's risk management policies are established to identify and analyse the risk faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

18.1 Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

Trade and other receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. More than 90% of the company's revenue is attributable to transactions with our Participants and the JSE. The outstanding balances are disclosed below.

No material changes have taken place in respect of our client base as the company has been servicing the same customers since its inception. Irrecoverable amounts have been limited and were mainly attributable to services provided to issuers.

The need for our services is supported by the Securities Services Act ("The SSA") as we are the only company that is licensed to act as a CSD in South Africa present.

Cash and cash equivalents

The company has an investment policy which provides guidelines in respect of the day-to-day administration of cash within the company. The primary objective of the policy is to preserve capital. The policy also deals with permitted investment types and service providers as well as limits of funds to be placed with service providers.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

18.1 The company's maximum exposure to credit risk at the reporting date was:

	2009	2008
	R'000	R'000
Trade and other receivables, excluding prepayments	27 580	26 433
Cash and cash equivalents	130 014	118 957
	<u>157 594</u>	<u>145 390</u>

The ageing of trade receivables at the reporting date was:

	2009		2008	
	Gross	Impairment	Gross	Impairment
	R'000	R'000	R'000	R'000
Not past due	26 148	19	23 093	13
Passed due 31 - 60 days	250	5	761	3
Passed due 61- 90 days	164	5	213	15
Passed due 91 days and over	958	339	1 619	283
	<u>27 520</u>	<u>368</u>	<u>25 686</u>	<u>314</u>

18.1 Credit risk

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2009	2008
	R'000	R'000
Balance as at 1 January	314	229
Impairment loss recognised	54	85
Balance as at 31 December	<u>368</u>	<u>314</u>

The Company believes that the impairment allowance is adequate. The allowance for impairment is based on specific customer circumstances and is not a general allowance. Specific allowances were made in respect of listed companies that were delisted or suspended from the JSE or where other reasons exist that raise doubt in respect of recoverability. The company is confident that all customer balances, besides those specifically included in the allowance, are recoverable.

The trade receivables are monitored and reviewed monthly. Problematic balances are identified and followed up on.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

18.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company has determined a minimum level of cash reserves in order to ensure its ongoing operations. The level is currently set at R 60 million, previously R80 million, and represents approximately four months of the present cash operating expenditure. The level is assessed on an ongoing basis to ensure that an adequate level of cash is maintained given the nature of the company.

The company does not have any debt that needs to be serviced.

The following table analyses the terms of the contractual undiscounted maturities of non-derivative financial instruments existing at the reporting date:

2009	Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000	Carrying amount R'000
Non-derivative financial assets	156 636	958	–	157 594
Trade and other receivables, excluding prepayments	26 622	958	–	27 580
Cash and cash equivalents	130 014	–	–	130 014
Non-derivative financial liabilities				
Trade and other payables, excluding deferred income	(11 735)	–	–	(11 735)
Net exposure	144 901	958	–	145 859



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

18. Financial instruments (continued)

18.1 Liquidity risk (continued)

	Up to 3 months R'000	3 to 12 months R'000	1 to 5 years R'000	Carrying amount R'000
2008				
Non-derivative financial assets	145 390	–	–	145 390
Trade and other receivables, excluding prepayments	26 433	–	–	26 433
Cash and cash equivalents	118 957	–	–	118 957
Non-derivative financial liabilities				
Trade and other payables, excluding deferred income	(10 712)	–	–	(10 712)
Net exposure	134 678	–	–	134 678
18.2 Interest rate risk				

Interest rate risk is the effect of a company's exposure to the effect of future changes in the prevailing level of interest rates.

Strate currently has no material exposure to interest rate risk on its liabilities.

Interest receivable is received on a floating rate basis. Funds are invested in permitted investments and with service providers in accordance with the investment policy guidelines. The majority of our funds are on call.

The interest rate risk profile for non-derivative financial assets at year end is as follows:

	Fixed rate R'000	Floating rate R'000	Total R'000
2009			
Non-derivative financial assets			
Cash and cash equivalents	–	130 014	130 014
2008			
Non-derivative financial assets			
Cash and cash equivalents	–	118 957	118 957

18.3 Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) the profit by the amounts shown below. The analysis assumes that all other variables remain constant.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

18. Financial instruments (continued)

	100 bp increase R'000	100 bp decrease R'000
2009		
Variable rate instruments	<u>1 156</u>	<u>(1 331)</u>
Cash flow sensitivity	<u>1 156</u>	<u>(1 331)</u>
2008		
Variable rate instruments	<u>1 033</u>	<u>(1 048)</u>
Cash flow sensitivity	<u>1 033</u>	<u>(1 048)</u>

18.4 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable data).

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
31 December 2009	<u>–</u>	<u>1 219</u>	<u>–</u>	<u>1 219</u>
31 December 2008	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

18.5 Capital management

The Board's aim is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business.

To be financially self sufficient and to provide the shareholders with a fair return is one of the company's key objectives.

The current capital structure only consists of equity. The company is satisfied with the current structure and therefore does not plan on raising any debt.

Management believe that the current capital structure is adequate to support the company's operations and that it is within the company's means to provide the shareholders with a fair return on their capital.

The company is not subject to externally imposed capital requirements.

The SSA limits CSD Participants shareholding in Strate to a maximum of 15% per participant.



Strate Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

19. Notes to the cash flow statement	2009	2008
	R'000	R'000
19.1 Cash generated by operations		
Profit before taxation	101 655	113 058
Adjustments:		
– depreciation/amortisation	17 737	11 944
– (Profit) / loss on sale of fixed assets	(25)	5
– finance income	(10 632)	(10 595)
– Impairment loss	625	–
	<hr/>	<hr/>
Operating profit before working capital changes	109 360	114 421
Increase in trade and other receivables	(672)	(3 125)
Increase in trade and other payables	2 162	6 471
	<hr/>	<hr/>
	110 850	117 767
	<hr/>	<hr/>
19.2 Finance income received		
Receivable at the beginning of the year	–	199
Per income statement	10 632	10 595
	<hr/>	<hr/>
	10 632	10 794
	<hr/>	<hr/>
19.3 Taxation paid		
Payable/(Receivable) beginning of year	1 792	(117)
Current taxation and STC charge	34 364	35 779
Payable at end of year	(499)	(1 792)
	<hr/>	<hr/>
	35 657	33 870
	<hr/>	<hr/>



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

20. Related parties

Shareholders who are CSD participants:

- Absa Bank Limited
- First Rand Bank Limited
- Nedbank Limited
- The Standard Bank of South Africa Limited

Other shareholders:

- JSE Limited

Key management personnel:

Key management personnel include the board of directors and members of executive committees. Key management personnel includes close family members of key personnel members who may be expected to influence or be influenced by that individual in dealing with the company.

Shareholders

	Revenue		Trade receivables	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
JSE Limited	96 174	94 870	10 771	8 016
The Standard Bank of South Africa Limited	50 569	52 168	4 566	4 267
FirstRand Bank Limited	29 566	32 508	2 714	3 239
Nedbank Limited	17 021	17 213	1 576	1 653
Absa Bank Limited	11 419	14 330	1 032	843
Total	204 749	211 089	20 659	18 018

Key management personnel

Transactions with entities of which MD Higgs (COO until June 2008) was an owner, shareholder or served as a director.

	Operating expenditure		Trade payables	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
MD Higgs entities	–	3 279*	–	–
MD Higgs	–	1 114*	–	–
Other Consultants and Recruitment fees	–	2 165*	–	–

*Includes transactions up to June 2008.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

20. Related parties (continued)

Furthermore, Strate's revenue, as reflected in note 4, is earned principally from the settlement of bonds and equities. In terms of Strate's business model, these services are provided to CSD participants, some of whom are shareholders of the company. The revenue earned from providing these services, as detailed above, is market related.

Transactions with directors – refer to note 24.

21. Investment in Central Depository Nominees (Proprietary) Limited (“CD Nominees”) and Link-up Capital Market S.L, Spain

The company's wholly owned subsidiary, CD Nominees, is used as a vehicle in whose name debt securities deposited with its holding company, Strate Limited, are registered.

The issued share capital of CD Nominees of R1 is represented by cash of R1.

During 2009 Strate Limited acquired a 2% shareholding in Link up Capital Markets S.L Spain. The acquisition means that Strate is part of an international CSD community, and is in a position to promote the international competitiveness of securities services in South Africa.

	2009 R'000	2008 R'000
Fair value at acquisition	1 844	–
Impairment	(625)	–
Fair value at 31 December 2009	<u>1 219</u>	<u>–</u>



Strate Limited

Notes to the financial statements

for the for the year ended 31 December 2009 (continued)

22. Commitments and contingencies	2009	2008
	R'000	R'000
<i>Commitments</i>		
22.1 Operating Expenditure		
Maintenance Contract	6 336	9 651
– within one year	6 336	9 651
– greater than a year but less than five years	–	–
Lease payments under non-cancellable operating leases	22 155	25 200
– within one year	5 197	4 353
– greater than a year but less than five years	16 958	20 847
	28 491	34 851
22.2 Capital expenditure:		
Authorised		
– within one year	30 406	22 998
The commitments are to be funded out of working capital.		
<i>Contingent liabilities</i>		
There are no material contingent liabilities.		



Strate Limited

Notes to the financial statements

for the for the year ended 31 December 2009 (continued)

23. Employee benefits

The company's salary structure is based on the total cost to company principle.

All contributions to the pension scheme and medical aid are included in the salary structure. The company provides retirement benefits for all its permanent employees through defined contribution pension schemes and therefore does not have a liability in terms of retirement benefits.

Members' interests in the schemes are based on the market value of the funds and are adjusted monthly for changes in market value. These schemes are fully funded and are governed by the Pension Funds Act, 1956 as amended.

	2009 R'000	2008 R'000
Short-term Incentive		
Balance of Ex-Gratia bonus	3 153	2 527
Liability for long-term incentive scheme		
Long-term incentive scheme	6 113	5 715
	<u>9 266</u>	<u>8 242</u>

Details in respect of the workings of the short-term incentive and long-term incentive scheme are included in the Remuneration Committee report, which forms part of the Corporate Governance report.



Strate Limited

Notes to the financial statements

for the year ended 31 December 2009 (continued)

24. Directors' emoluments

		Directors' fees R'000	Consulting fees R'000	Salaries R'000	Bonuses and LTI R'000	Total R'000
2009		1 912	884	3 446	3 505	9 747
<i>Executive directors</i>						
MJ Singer Saul	CEO	–	–	**2 216	2 857	5 073
AF van Eden	COO	–	*573	1 230	648	2 451
<i>Other directors</i>						
ME King	Chairman	440	–	–	–	440
A van der Merwe		305	–	–	–	305
MR Johnston		–	311	–	–	311
NG Payne		193	–	–	–	193
NE Makiwane		54	–	–	–	54
PL Campher		138	–	–	–	138
RJG Barrow		222	–	–	–	222
RGM Ndlovu		242	–	–	–	242
SV Zilwa		209	–	–	–	209
RG Cottrell		109	–	–	–	109

* Relates to fees earned prior to becoming an employee and appointment to the Board on 23 June 2009.

** Includes R191,334 that relates to contributions made to the JSE Pension Fund.

Other directors do not receive any form of remuneration other than reimbursements.

		Directors' fees R'000	Consulting fees R'000	Salaries R'000	Bonuses and LTI R'000	Total R'000
2008		1 480	96	1 996	2 171	5 743
<i>Executive directors</i>						
MJ Singer Saul	CEO	–	–	1 996	2 171	4 167
<i>Other directors</i>						
ME King	Chairman	453	–	–	–	453
A van der Merwe		156	–	–	–	156
MR Johnston		–	96	–	–	96
NG Payne		214	–	–	–	214
PL Campher		83	–	–	–	83
RGM Ndlovu		160	–	–	–	160
SV Zilwa		133	–	–	–	133
RG Cottrell		281	–	–	–	281